voestalpine AG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2018/19

A. GENERAL INFORMATION AND CORPORATE PURPOSE

The voestalpine Group is a global, steel-based technology and capital goods Group. 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 industry 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 voest-alpine-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, 2019 (including comparative figures for the year ended March 31, 2018) 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 Standards 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 that affect amounts and percentages.

On May 28, 2019, the Management Board of voestalpine AG approved the Consolidated Financial Statements and authorized the submission thereof to the Supervisory Board.

B. SUMMARY OF ACCOUNTING POLICIES

EFFECTS OF NEW AND REVISED IFRS

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 and Interpretations were adopted for the first time in the business year 2018/19:

Standard	Content	Effective date[1]
IFRS 15, incl. clarifications	Revenue from Contracts with Customers	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IAS 40, amendments	Transfers of Investment Property	January 1, 2018
IFRS 2, amendments	Classification and Measurement of Share-Based Payment Transactions	January 1, 2018
IFRS 4, amendments	Applying IFRS 9 with IFRS 4	January 1, 2018
IFRS 1 and IAS 28, amendments	Annual Improvements to International Financial Reporting Standards, 2014–2016 Cycle	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
Various standards, amendments	Annual Improvements to International Financial Reporting Standards, 2015–2017 Cycle	January 1, 2019[2]

[1] In accordance with EU endorsements, these standards are applicable to reporting periods beginning on or after the effective date.
[2] Early application in the voestalpine Group from the business year 2018/19.

IFRS 15 Revenue from Contracts with Customers combines all revenue recognition rules and replaces both IAS 18 and IAS 11 as well as the related Interpretations. Under IFRS 15, the focus has shifted from the transfer of material risks and opportunities to the moment in time at which control over the goods and services is transferred, thus making it possible to realize related benefits. The newly introduced five-step model serves to determine both the scope and the timing of revenue recognition.

The voestalpine Group applied the new standard for the first time as of April 1, 2018, using the modified retrospective method. It was applied to all open contracts. The comparative information for 2017/18 was not adjusted; instead, as previously, it is presented in accordance with IAS 18, IAS 11, and the corresponding Interpretations. In addition, the disclosure obligations pursuant to IFRS 15 were not applied to the comparative information.

The revisions regarding customer-specific series production trigger early recognition of revenue in contrast to IAS 11 if the requirements of IFRS 15.35c apply. As regards these customer-specific products for which there are no alternative uses, revenue must be recognized over time, because voestalpine has an enforceable claim to payment against the customer. The resulting effect on equity after taxes is about EUR 7.0 million, mainly from the automotive and aerospace segments.

Another effect on equity after taxes in the amount of approximately EUR –15.0 million stems from the reversal of previously capitalized pre-series losses in the automotive segment; under the rules of IFRS 15, they must now be recognized as income in the period in which they are incurred.

Aside from the initial application effect on equity after taxes of approximately EUR –7.4 million, these changes result in reclassifications of inventories, PoC receivables according to IAS 11, and payments received on contract assets and contract liabilities.

The Group's remaining segments are not affected by the changes in IFRS 15 at all or only to an immaterial extent.

The table below presents the effects of the initial application of **IFRS 15 Revenue from Contracts with Customers** on the opening statement of financial position as of April 1, 2018:

CHANGE IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	03/31/2018	Adjustments according to IFRS 15	04/01/2018
Assets			
Deferred tax assets	196.1	4.7	200.8
Inventories	3,998.4	–99.3	3,899.1
Trade and other receivables	1,773.0	104.4	1,877.4
Total assets	**15,455.0**	**9.8**	**15,464.8**
Equity and liabilities			
Retained earnings and other reserves	4,957.9	–7.4	4,950.5
Deferred tax liabilities	107.6	2.7	110.3
Current provisions	615.2	–0.5	614.7
Trade and other payables	2,647.1	15.0	2,662.1
Total equity and liabilities	**15,455.0**	**9.8**	**15,464.8**

In millions of euros

The tables below present the effects of the application of IFRS 15 on the respective items in the consolidated statement of financial position as of March 31, 2019, and in the consolidated income statement for the business year 2018/19. There are no material effects on the consolidated statement of cash flows for the business year 2018/19.

CHANGE IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

03/31/2019	As reported	Adjustments according to IFRS 15	Without application of IFRS 15
Assets			
Deferred tax assets	197.3	1.1	198.4
Inventories	4,053.0	116.2	4,169.2
Trade and other receivables	2,021.3	–145.2	1,876.1
Total assets	15,651.6	–27.9	15,623.7
Equity and liabilities			
Retained earnings and other reserves	5,054.8	–10.5	5,044.3
Deferred tax liabilities	110.5	–3.1	107.4
Current provisions	642.9	0.5	643.4
Trade and other payables	2,838.5	–14.8	2,823.7
Total equity and liabilities	**15,651.6**	**–27.9**	**15,623.7**

In millions of euros

CHANGE IN CONSOLIDATED INCOME STATEMENT

2018/19	As reported	Adjustments according to IFRS 15	Without application of IFRS 15
Revenue	**13,560.7**	**–50.8**	**13,509.9**
Cost of sales	–10,777.6	27.1	–10,750.5
Gross profit	**2,783.1**	**–23.7**	**2,759.4**
EBIT	**779.4**	**–23.7**	**755.7**
Profit before tax	**645.7**	**–23.7**	**622.0**
Tax expense	–187.1	6.1	–181.0
Profit after tax	**458.6**	**–17.6**	**441.0**

In millions of euros

See Note 1. Revenue for further information on the recognition of revenue.

Except for the requirements regarding portfolio fair value hedges for interest rate risks, **IFRS 9 Financial Instruments** results in revisions and changes regarding financial instruments and replaces IAS 39. Henceforth, the classification rules are contingent on the characteristics of the business model as well as on the contractual cash flows from financial assets. As regards financial liabilities, the existent requirements were largely incorporated into IFRS 9. Depending on the characteristics, there are also changes with respect to subsequent measurements of financial assets.

IFRS 9 contains three measurement categories which—with the exception of a few measurement choices—must always be considered mandatory:

» measured at amortized cost (Amortized Cost, AC);

» measured at fair value through other comprehensive income (Fair Value through Other Comprehensive Income, FVOCI);

» measured at fair value through profit or loss (Fair Value through Profit or Loss, FVTPL).

Another fundamental change arises in connection with impairment losses that are based on an expected loss model rather than on incurred losses as has been the case to date. In addition, IFRS 9 contains new general hedge accounting requirements, yet retains the existent provisions of IAS 39 regarding the recognition and derecognition of financial instruments. The new requirements of IFRS 9 expand the options for applying hedge accounting by shifting the focus to the goals and strategies of risk management as the basis of measurement. Accordingly, IFRS 9 applies a largely qualitative and forward-looking approach to the measurement of the effectiveness of hedging relationships.

The voestalpine Group applied the revisions to IFRS 9 for the first time as of April 1, 2018. As regards both classification and measurement, the retrospective application option was applied. Comparative periods were not adjusted. The requirements for hedge accounting must be applied prospectively.

The reclassification and measurement of financial instruments from IAS 39 to IFRS 9 may be presented as follows:

Classes	Measurement category IAS 39		Measurement category IFRS 9	Carrying amount IAS 39 March 31, 2018	Valuation adjustments acc. to IFRS 9	Carrying amount IFRS 9 April 1, 2018
Other financial assets – non-current	At amortized cost	Loans and receivables	AC	6.1	0.0	6.1
	Available for sale at cost		–	11.4	–	–[1]
	Available for sale at fair value		FVTPL	32.1	0.0	32.1
	At fair value through profit or loss	Fair value option	FVTPL	1.4	0.0	1.4
Trade and other receivables	At amortized cost	Loans and receivables	AC	1,599.5	0.0	1,599.5
			FVTPL	144.1	0.0	144.1
	At fair value through profit or loss	Derivatives (held for trading)	FVTPL	13.5	0.0	13.5
		Derivatives (hedge accounting)	no IFRS 9 measurement category	15.9	0.0	15.9
Other financial assets – current	At fair value through profit or loss	Fair value option	FVTPL	388.1	0.0	388.1
Cash and cash equivalents	At amortized cost	Loans and receivables	AC	705.8	0.0	705.8
Assets				**2,917.9**	**0.0**	**2,906.5**[1]
Financial liabilities – non-current	At amortized cost		AC	2,783.6	0.0	2,783.6
Financial liabilities – current	At amortized cost		AC	1,315.6	0.0	1,315.6
Trade and other payables	At amortized cost		AC	2,633.8	0.0	2,633.8
	At fair value through profit or loss	Derivatives (held for trading)	FVTPL	17.8	0.0	17.8
		Derivatives (hedge accounting)	no IFRS 9 measurement category	4.4	0.0	4.4
Liabilities				**6,755.2**	**0.0**	**6,755.2**

[1] Reclassification of other equity investments in affiliated companies and of other investments from the valuation category AfS at cost to "Other shares in companies" as of April 1, 2018.

In millions of euros

The initial application of IFRS 9 in the voestalpine Group does not have any material effects on the classification of financial assets and liabilities.

A reclassification from the previous measurement categories under IAS 39 to the new measurement categories under IFRS 9 concerns a portfolio of trade receivables that is slated for sale as of the next sales date in the context of factoring programs. While these receivables were measured at cost in the loans and receivables category until now, as of April 1, 2018, they have been measured at FVTPL due to their allocation to the "sale" business model, which has not led to any valuation adjustments, however.

To date, under IAS 39 short-term financial assets were designated voluntarily as FVTPL, because they were managed on a fair value (FV) basis. This group of financial assets is managed pursuant to the documented risk management and investment strategy based on their fair value, and their performance is observed and reported using the fair value. Pursuant to IFRS 9, they must be measured at FVTPL.

As of March 31, 2018, the voestalpine Group held an equity instrument valued at EUR 32.1 million, which had been classified as available for sale at fair value. Under IFRS 9, it is measured at FVTPL as of April 1, 2018. The option to recognize gains/losses in other comprehensive income (OCI) was not elected.

Until now, other equity investments in affiliated companies and other investments not included in the Consolidated Financial Statements on account of their secondary significance to the Group were recognized as available for sale at cost. Since April 1, 2018, however, they have been presented in "Other shares in companies." They were reclassified at the carrying amount of EUR 11.4 million.

The label of the item "Other financial assets" shown in the non-current assets was changed for clarification purposes to "Other financial assets and other shares in companies" in connection with the first-time adoption of IFRS 9 as of April 1, 2018, in order to reflect that the item comprises both financial assets and other shares in companies.

The classification of financial liabilities remains unchanged; here, solely the measurement categories were updated to reflect the wording of IFRS 9.

A measurement model was set up in the voestalpine Group to take into account the requirements of IFRS 9 with respect to the impairment model. Historical data derived from actual historical credit losses in the past five years were used as the basis for the estimated expected credit losses. Given the existent credit insurances and a diversified customer portfolio dominated by very good to good credit ratings, there is no significant concentration of default risks. Because both historical and expected credit losses are low, the application of the new impairment method does not result in any adjustments of the allowances for trade receivables. Note 23. Financial Instruments contains additional information on impairment.

With respect to hedge accounting, there are additional options particularly for raw materials hedges which expand the hedging relationships that qualify for hedge accounting. The hedges existent as of the transition date meet the requirements of IFRS 9 and agree with the risk management strategies and goals of the voestalpine Group; as a result, the initial application did not require any adjustments.

Under IAS 39, the amounts used to hedge cash flows shown in the reserve for cash flow hedges (hedging reserve) were reclassified to profit or loss as reclassification adjustments in the period in which the expected, hedged cash flows affected profit or loss. Under IFRS 9, amounts recognized in the hedging reserve (for cash flow hedges in connection with the foreign currency risks related to expected purchases of inventories) are included directly in the acquisition cost of the inventories at the time of recognition.

Given the aforementioned disclosures, the initial application of IFRS 9 did not have any material effects on the voestalpine Group.

See B. Summary of Accounting Policies (section entitled "Financial Instruments") for additional information on the accounting for financial instruments.

Improvements to IAS 12 Income Taxes were issued as part of the Annual Improvements to IFRS Standards, 2015–2017 Cycle. All income tax effects of dividend payments must be recognized in the same way as the income on which the dividends are based. As a result, they must be recognized in profit or loss unless the dividends are derived from income recognized directly in other comprehensive income or in equity.

These changes must be applied to business years starting on or after January 1, 2019. The voestalpine Group has opted for early application of these changes. The first-time adoption of the standard concerns all income tax effects of dividend payments that were recognized as of or after the start of the earliest comparative period.

The positive income tax effect on hybrid capital interest of EUR 7.5 million in the business year 2017/18 was recognized retroactively in the item, tax expense, of the statement of comprehensive income instead of directly in equity.

The tables below present the effects of the application of IAS 12 on the respective items in the consolidated statement of cash flows and the consolidated income statement for the business year 2017/18. There are no material effects on the consolidated statement of financial position as of March 31, 2018.

CHANGE IN CONSOLIDATED STATEMENT OF CASH FLOWS

2017/18	Values as originally reported	Adjustments according to IAS 12	Values retroactively adjusted
Operating activities			
Profit after tax	817.9	7.5	825.4
Non-cash expenses and income	804.1	–7.5	796.6
Changes in working capital	**–426.9**	**–**	**–426.9**
Cash flows from operating activities	**1,195.1**	**–**	**1,195.1**
Cash flows from investing activities	**–847.7**	**–**	**–847.7**
Cash flows from financing activities	**–129.7**	**–**	**–129.7**
Net decrease/increase in cash and cash equivalents	**217.7**	**–**	**217.7**
Cash and cash equivalents, beginning of year	503.3	–	503.3
Net exchange differences	–15.2	–	–15.2
Cash and cash equivalents, end of year	**705.8**	**–**	**705.8**

In millions of euros

CHANGE IN CONSOLIDATED INCOME STATEMENT

2017/18	Values as originally reported	Adjustments according to IAS 12	Values retroactively adjusted
Revenue	**12,897.8**	**–**	**12,897.8**
Cost of sales	–9,923.3	–	–9,923.3
Gross profit	**2,974.5**	**–**	**2,974.5**
EBIT	**1,180.0**	**–**	**1,180.0**
Profit before tax	**1,042.5**	**–**	**1,042.5**
Tax expense	–224.6	7.5	–217.1
Profit after tax	**817.9**	**7.5**	**825.4**

In millions of euros

The application of the other aforementioned revisions did not have any material effects on the Consolidated Financial Statements.

The following new and revised Standards and Interpretations had already been published as of the reporting date, but their application was not yet mandatory for the business year 2018/19 or they have not yet been adopted by the European Union:

Standard	Content	Effective date according to IASB[1]
IFRS 16	Leases	January 1, 2019
IFRS 9, amendments	Prepayment Features with Negative Compensation	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28, amendments	Long-Term Interests in Associates and Joint Ventures	January 1, 2019
IAS 19, amendments	Plan Amendment, Curtailment or Settlement	January 1, 2019
Framework, amendments	Amendments to References to the Conceptual Framework	January 1, 2020[2]
IFRS 3, amendments	Definition of a Business	January 1, 2020[2]
IAS 1 and IAS 8, amendments	Definition of Material	January 1, 2020[2]
IFRS 17	Insurance Contracts	January 1, 2021[2]
IFRS 10 and IAS 28, amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed by the IASB

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

These Standards—to the extent they have been adopted by the European Union—will not be adopted early by the Group. From today's perspective, the new and revised Standards and Interpretations (except for IFRS 16) 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 IFRS 16:

IFRS 16 Leases governs the accounting for leases and will replace IAS 17 as well as previous Interpretations. The new rules eliminate the prior distinction on the part of the lessee between finance and operating leases. In the future, operating leases must generally be treated in the same way as finance leases.

The voestalpine Group plans to apply the new Standard using the modified retrospective method for the first time as of April 1, 2019. Accordingly, the resulting cumulative initial application effect will be recognized in retained earnings as of April 1, 2019, but no adjustment of the comparative data is made at the same time. As voestalpine Group companies currently are lessees under operating leases, the application of IFRS 16 is expected to have an impact on the Group's net assets, financial position, and results of operations.

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 to a shift between cash flows from operating activities and financing activities.

The voestalpine Group intends to apply the following measurement choices and exemptions:

» Right-of-use assets and lease liabilities are not recognized separately in the statement of financial position but instead are presented in the Notes.

» Upon first-time adoption, a given lease liability is recognized at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the time of initial application; the right-of-use asset is recognized in the same amount.

» The Group has elected the option not to determine a right-of-use asset or lease liability for leases with terms up to 12 months (short-term leases) and for leases where the underlying asset is of low value. In the voestalpine Group, low-value assets concern leased assets whose cost does not exceed EUR 5,000. At the transition date, leases with a residual term of up to 12 months are classified as short-term leases.

» No separation is made with respect to contracts containing both non-lease components and lease components; this does not apply to land and buildings.

» IFRS 16 is not applied to intangible asset leases.

Based on the currently available information, the voestalpine Group estimates that additional lease liabilities of about EUR 437 million and the corresponding right-of-use assets in the same amount will be recognized as of April 1, 2019.

No significant effects are expected for existent finance leases.

BASIS OF CONSOLIDATION

The annual financial statements of all fully consolidated entities are prepared based on 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) were maintained due to cost/benefit considerations if the relevant amounts were immaterial.

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

All intra-Group profits, receivables and payables as well as 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 because—in financial, economic, and organizational terms—these entities all run their businesses 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 individual financial statements of consolidated entities, foreign currency transactions are translated into the functional currency of the given entity using the exchange rate on the transaction date. Foreign exchange gains and losses resulting from translation as of 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					
03/31/2018	1.2321	0.8749	4.0938	10.2843	4.2106
03/31/2019	1.1235	0.8583	4.3865	10.3980	4.3006
Average annual rate					
2017/18	1.1711	0.8826	3.7673	9.7519	4.2213
2018/19	1.1579	0.8820	4.3799	10.3688	4.2917

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 significant risks of triggering material adjustments of assets and liabilities in future 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 several assumptions such as future net cash flows and discount rates. The net cash flows correspond to the figures in the most current business plan at the time the Consolidated Financial Statements are prepared. See B. Summary of Accounting Policies (section entitled “Impairment testing of goodwill, other intangible assets, and property, plant and equipment”); as well as Note 9. Property, plant and equipment; Note 10. Goodwill; and Note 11. Other intangible assets.

» **Recoverability of financial instruments**

Alternative actuarial models are used to measure the recoverability of financial instruments for which there is no active market. The parameters used to determine the fair values are based partially on assumptions concerning the future. See B. Summary of Accounting Policies (section entitled “Financial instruments”) as well as Note 23. Financial instruments.

» **Pensions and other employee obligations**

The measurement of existent severance payment and pension obligations is based on assumptions regarding interest rates, the retirement age, life expectancy, and future salary/wage increases. See B. Summary of Accounting Policies (section entitled "Pensions and other employee obligations") as well as Note 18. Pensions and other employee obligations.

» **Assets and liabilities associated with acquisitions**

Acquisitions require making estimates in connection with the determination of the fair value of identified assets, liabilities, and contingent consideration. All available information on the circumstances as of the acquisition date is applied. The fair values of buildings and land are typically determined by external experts or intra-Group experts. Intangible assets are measured using appropriate valuation methods depending on the type of asset and the availability of information. These measurements are closely connected to assumptions about the future development of the estimated cash flows as well as the applied discount rates.

Information on acquisitions made during the reporting period is reported under D. Acquisitions and other additions to the scope of consolidation.

» **Other provisions**

Other provisions for 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 reliable estimates. Provisions are discounted if the effect is material. Details concerning provisions follow from B. Summary of Accounting Policies (section entitled "Other provisions") as well as Note 19. Provisions.

» **Income taxes**

Income tax expense represents the total of current tax expenses and deferred taxes. The current tax expense is determined based on the taxable income using the currently applicable tax rates. Deferred taxes are determined based on the respective local income tax rates. Future fixed tax rates are also considered in the deferral. The recognition and measurement of actual and deferred taxes is subject to numerous uncertainties.

Given its international activities, the voestalpine Group is subject to different tax regulations in the respective tax jurisdictions. The tax items presented in the Consolidated Financial Statements are determined based on the relevant tax regulations and, because of their complexity, may be subject to different interpretations by taxpayers, for one, and local finance authorities, for another. Because varying interpretations of tax laws may lead to additional tax payments for past years as a result of comprehensive tax audits, they are included in the analysis based on management's assessment.

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible differences and/or tax losses carried forward but not yet applied may be utilized. This assessment requires making assumptions regarding future taxable income and thus is subject to uncertainties. It is made on the basis of the planning for a five-year period. Changes in future taxable income may result in lower or higher deferred tax assets.

Further information follows from B. Summary of Accounting Policies (section entitled "Income taxes") as well as Note 8. Income taxes and Note 13. Deferred taxes.

» **Legal risks**

As an internationally active company, the voestalpine Group is exposed to legal risks. The outcome of present or future legal disputes is 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, management continually reviews the underlying information and assumptions; both internal and external legal counsel is used for further evaluation. Provisions are recognized to cover probable present obligations, including a reliable estimate of legal costs. The option to record a contingent liability is considered if the future outflow of resources is not probable or if the company has no control over the confirmation of actual events.

Both the estimates and the underlying assumptions are reviewed on an ongoing basis. The actual figures may differ from these assumptions and estimates if the stated parameters differ from reporting date expectations. Revisions are recognized through profit or loss in the period in which the estimates are revised, and the assumptions are adjusted accordingly.

REVENUE RECOGNITION – APPROACH FROM APRIL 1, 2018

In the voestalpine Group, revenue is realized when a customer obtains control over goods or services. See the disclosures in Note 2. Operating Segments regarding the type of goods and services offered by the individual business segments.

As a rule, revenue is recognized at the time the goods or services are delivered, taking into account the stipulated terms and conditions. This is generally the time at which risks and opportunities are transferred in accordance with the stipulated Incoterms, typically subject to payment terms of between 30 and 60 days.

The transaction price corresponds to the contractually stipulated consideration, taking into account any variable components. Variable consideration is recognized only if it is highly probable that there will be no material revenue reversals in the future.

Revenue from series products that satisfy the revenue recognition criteria of IFRS 15.35 (c) is recognized over time. This mainly concerns products of the automotive and aerospace segments for which there are no alternative uses, because they are developed and produced specifically for a customer based on the latter's specific requirements and thus may generally not be used for any other purpose,

or where any alternative use would result in significant losses. Furthermore, a legally or contractually enforceable claim to payment of consideration, including a reasonable margin, applies to any components under construction as well as to finished goods, provided the company is not responsible for any termination of the contract.

Where revenue is recognized over time, such recognition must be pro rated based on the ratio of the costs incurred to the estimated total costs. This method is the most reliable way to reflect progress in performance. Expected losses under a contract are recognized immediately. The cash flows are obtained in accordance with the contractual arrangements. The payment terms typically are between 30 and 90 days.

The claims of the voestalpine Group to consideration for completed performance not yet billed as of the reporting date are recognized as contract assets in trade and other receivables. The contract liabilities presented in trade and other payables concern primarily consideration received from customers in advance for performance not yet delivered.

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 28.6 million (2017/18: EUR 21.4 million) for capital expenditures, research and development, and promotion of job opportunities were recognized as income in the reporting period.

REVENUE RECOGNITION – APPROACH PRIOR TO APRIL 1, 2018

Revenue from deliveries is recognized when all material risks and rewards arising from the delivered good or service have passed to the buyer. 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.

RECOGNITION OF EXPENSES

Operating expenses are recognized when goods or services are used or when the expense is incurred. In the business year 2018/19, expenses for research and development were EUR 170.5 million (2017/18: EUR 152.1 million).

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 appropriate portions of materials and indirect labor costs required for production as well as borrowing costs in case of qualifying assets. The capitalization date is the date from which expenditures for the asset and borrowing costs are incurred and activities necessary to prepare the asset for its intended use or sale are undertaken.

Depreciation is recognized on a straight-line basis over the expected useful life. 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 at amortized cost. Both the depreciation method and the useful life are identical to those applicable 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 upon inception of the lease. The corresponding liabilities to the lessors are recognized in financial liabilities in the consolidated statement of financial position.

Assets from finance leases are depreciated over their expected useful life on the same basis as own assets or over the term of the relevant lease, whichever is shorter. The Group does not act as a lessor.

GOODWILL

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

Goodwill is allocated to cash generating units (CGUs) or groups of cash generating units and, in accordance with IFRS 3, is not amortized, but tested for impairment at least annually as well as additionally if circumstances 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 the relative value in accordance with IAS 36.86.

OTHER INTANGIBLE ASSETS

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

Other intangible assets are stated at cost less accumulated amortization and impairment losses. In the case of a business combination, the fair value as of the acquisition date is the acquisition cost. Amortization is recognized 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

CGUs or groups of CGUs to which goodwill has been allocated and other intangible assets with an indefinite useful life are tested for impairment at least annually as well as additionally if circumstances indicate possible impairment. All other assets and CGUs are tested for impairment if there are any indications of impairment. Impairment testing is based on the value in use approach; accordingly, the recoverable amount is determined based on the value in use.

For the purpose of impairment testing, assets are grouped at the lowest levels at which cash flows are independently generated (CGUs). Goodwill is allocated to those CGUs or groups of CGUs that are expected to benefit from synergies of the related acquisition, 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 at the amount by which the carrying amount of the asset or cash generating unit (CGU) exceeds the recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and the value in use. Impairment losses recognized for CGUs or groups of CGUs to which goodwill has been allocated are applied first against the carrying amount of the goodwill. Any remaining impairment loss reduces the carrying amounts of the assets of the CGU on a pro rata basis. If the goodwill impairment test is carried out for a group of CGUs and if this results in an impairment, the individual CGUs included in this group are also tested for impairment and any resulting impairment of assets is recognized at this level first. Subsequently, this is followed by another impairment test for the CGUs at the Group level.

If there is any indication that an impairment loss recognized for an asset, a CGU, or a group of CGUs (excluding goodwill) in earlier periods no longer exists or may have declined, the recoverable amount must be estimated and then recognized (reversal of impairment).

FINANCIAL INSTRUMENTS – APPROACH FROM APRIL 1, 2018

IFRS 9 contains three measurement categories which—with the exception of a few measurement choices—must always be considered mandatory:

» measured at amortized cost (Amortized Cost, AC);

» measured at fair value through other comprehensive income (Fair Value through Other Comprehensive Income, FVOCI); and

» measured at fair value through profit or loss (Fair Value through Profit or Loss, FVTPL).

At this time, measurement at FVOCI is not applied in the voestalpine Group.

Other financial assets

The other financial assets include non-current receivables and loans that are measured at amortized cost. Equity instruments held (especially equity interests) are measured at FVTPL, because the option to elect measurement at FVOCI was not utilized.

All other current and non-current financial assets (particularly stock) must be measured at FVTPL, because they are either allocated to a business model oriented toward active purchases and sales or do not satisfy the cash flow requirement (cash flows at specified dates comprising solely payments of interest and principal).

Trade and other receivables

Trade and other receivables are always recognized at amortized cost. Identifiable risks are mainly covered by buying credit insurance. Interest-free or low-interest receivables with a remaining term of more than one year are recognized at their discounted present value. Sold receivables are derecognized in accordance with the provisions of IFRS 9 (see Note 28. Disclosures of transactions not recognized in the statement of financial position).

Trade receivables held for sale under an existent factoring agreement are measured at FVTPL, because they are allocated to the "sale" business model.

Accruals and deferrals, respectively, 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 amortized cost.

Loss allowance
The voestalpine Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost and on contract assets (portfolio loss allowance, stage 1 and stage 2). The Group applies the simplified approach to trade receivables and contract assets, pursuant to which any impairment determined with respect to such financial assets must, under certain conditions, equal the lifetime expected credit losses.

Historical data derived from actual historical credit losses in the past five years are used as the basis for the estimated expected credit losses. There is no significant concentration of default risks, given the existent credit insurances and a diversified customer portfolio that is dominated by very good to good credit ratings. Loss allowances on an individual basis are recognized for receivables with impaired credit ratings (stage 3). Note 23. Financial instruments contains additional information on impairment.

Derivative financial instruments
voestalpine Group uses derivative financial instruments exclusively for the purpose of hedging the interest rate, foreign currency, and raw materials price risks. Derivative financial instruments are carried at fair value through profit or loss. Hedge accounting as defined in IFRS 9 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 in profit or loss or in other comprehensive income (for the effective portion of a cash flow hedge). Positive fair values from derivative financial instruments are shown in trade and other receivables. Negative fair values from derivative financial instruments are shown in trade and other payables.

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). Observable currency exchange rates and raw materials prices as well as interest rates are the inputs for determining the market values. The market values are calculated based on the inputs using generally accepted actuarial formulas.

Unrealized profits or losses from hedged transactions are treated as follows:

» If the hedged asset or liability has already been recognized in the statement of financial position or if an obligation not recognized in the statement of financial position is hedged, the unrealized profits and losses from the hedged transaction are recognized through profit or loss. At the same time, the hedged item is also measured at fair value, regardless of the initial valuation method used. Any resulting unrealized profits and losses are offset against the unrealized results of the hedged transaction in the income statement so that, in sum, only the ineffective portion of the hedged transaction is recognized 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. Ineffective portions are recognized through profit or loss. If the transaction 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 considered in the determination of the carrying amount of this item. 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).

Liabilities
Liabilities (except liabilities from derivative financial instruments) are recognized at amortized cost.

OTHER SHARES IN COMPANIES – APPROACH FROM APRIL 1, 2018
Subsidiaries, joint ventures, and associates that are not included in these Consolidated Financial Statements by way of full consolidation or the equity method are recognized in other financial assets and other shares in companies. These other assets are measured at amortized cost.

FINANCIAL INSTRUMENTS – APPROACH PRIOR TO APRIL 1, 2018
Loans and receivables are carried at amortized cost. As the Group's securities meet the criteria of IAS 39.9 for application of the fair value option, securities are recognized at fair value through profit or loss. The fair value designation was selected to convey more useful information, because this group of financial assets is managed based on their fair value as documented in the risk management and investment strategy, and their performance is observed and reported based on the fair value. There are no held-to-maturity financial instruments.

Derivative financial instruments
voestalpine Group uses derivative financial instruments exclusively for the purpose of hedging foreign currency, interest rate, and raw materials price risks. Derivative financial instruments are generally carried at fair value and recognized through profit or loss; hedge accounting as defined in IAS 39 is

applied to some of them. Consequently, gains or losses resulting from changes in the value of derivative financial instruments are recognized either in profit or loss or in other comprehensive income, depending on whether a fair value hedge or the effective portion of a cash flow hedge is involved.

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). Observable currency exchange rates and raw materials prices as well as interest rates are the inputs for determining the market values. The market values are calculated based on the inputs using generally accepted actuarial formulas.

Unrealized profits or losses from hedged transactions are treated as follows:

» If the hedged asset or liability has already been recognized in the statement of financial position or if an obligation not recognized in the statement of financial position is hedged, the unrealized profits and losses from the hedged transaction are recognized through profit or loss. At the same time, the hedged item is also measured at fair value, regardless of the initial valuation method. Any resulting unrealized profits and losses are offset against the unrealized results of the hedged transaction in the income statement so that, in sum, only the ineffective portion of the hedged transaction is recognized 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. Ineffective portions are recognized through profit or loss. If the transaction 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 considered in the determination of the carrying amount of this item. 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 existent obligation (cash flow hedges).

Other investments

Subsidiaries, joint ventures, and associates that are not included in these Consolidated Financial Statements by way of full consolidation or the equity method are recognized in other investments. They are held as "available for sale at cost" and measured at cost, because no price is quoted for these investments 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 entity can be reliably determined based on the valuation report prepared once a year for Energie AG Oberösterreich as a whole.

Trade and other receivables
Trade and other receivables are stated at amortized cost. Identifiable risks are mainly covered by buying credit insurance. Interest-free or low-interest receivables with a remaining term of more than one year are recognized at their discounted present value. Sold receivables are derecognized in accordance with the provisions of IAS 39 (see Note 28. Disclosures of transactions not recognized 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 given construction contract must be recognized by reference to the stage of completion of the contract activity as of the reporting period ("percentage of completion method"), in each case based on the proportion of the contract costs incurred for the work performed relative to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue may be recognized only in an amount that corresponds to the probably recoverable contract costs incurred. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that the total contract costs will exceed the total contract revenue, the expected loss is immediately recognized as an expense.

Accruals and deferrals, respectively, 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 amortized cost.

Liabilities
Liabilities (except liabilities from derivative financial instruments) are stated at amortized cost.

INCOME TAXES
Income tax expense represents the total of current tax expenses and deferred taxes. The current tax expense is determined based on the taxable income using the currently applicable tax rates.

In accordance with IAS 12, all temporary differences between the income tax base and the Consolidated Financial Statements are included in deferred taxes. Deferred tax assets on unused tax loss carryforwards are recognized to the extent that sufficient taxable (deferred) temporary differences between carrying amounts are available or that budgetary accounting will make sufficient taxable income available against which the tax losses may be offset.

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

Deferred tax liabilities are recognized for planned dividend payments subject to withholding tax.

Deferred taxes are determined based on the respective local income tax rates. Future fixed tax rates are also considered in the deferral. Deferred tax assets and deferred tax liabilities are offset when they relate to the same tax authority and when there is a claim to offsetting.

INVENTORIES

Inventories are measured at the lower of cost and the net realizable value. The net realizable value is the estimated selling price less estimated costs of completion and 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 using the weighted average price method or a similar method. The cost includes directly attributable costs and all pro-rated material and production overheads based on normal capacity utilization. Borrowing costs, general administrative expenses, and distribution costs are not capitalized.

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 recognized in current assets at their actual cost and measured at fair value as of the reporting date (limited by the actual cost).

In case of any 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.

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 recognized directly in 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 whose employment started before January 1, 2003, are entitled to severance payment if their employment contract 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. A contribution-based system is provided for employees whose employment started after December 31, 2002. The contributions to external employee pension funds are recognized as expenses.

Defined contribution plans
Defined contribution plans do not entail further obligations on the company's part once the premiums have been paid to the managing pension fund or insurance company.

Defined benefit plans
Under defined benefit plans, the company promises a given employee that they will be paid a pension in a specified amount. The pension payments begin upon retirement (or disability or death) and end upon the death of the former employee (or that of their survivors). Widow's and widower's pensions (equivalent to between 50% and 75% of the old age pension) are paid to the surviving spouse until their death or remarriage. Orphan's pensions (equivalent to between 10% and 20% of the old age pension) are paid to dependent children until the completion of their education, but at most up to the age of 27.

Longevity thus is the central risk to the Group under the defined benefit pension plans. All measurements are based on the most recent mortality tables. Given a relative decrease or increase of 10% in mortality, the defined benefit obligation (DBO) of pensions changes by +3.9% or –3.5% as of the reporting date. Other risks such as the risk of rising medical costs do not materially affect the scope of the obligation.

Almost all of the Group's pension obligations concern claims that have already vested.

Austria
The amount of the pension is based either on a certain percentage of the final salary depending on the years of service or on a fixed, valorized amount per year of service. The majority of the obligations under defined benefit plans is transferred to a pension fund, but the liability for any shortfalls rests with the company.

Germany
There are different pension schemes in Germany, whose benefits rules may be described as follows:
- A certain percentage of the final salary depending on the years of service;
- A rising percentage of a fixed target pension depending on the years of service;
- A stipulated, fixed pension amount;
- A fixed, valorized amount per year of service that is linked to the average salary in the company; and
- A fixed, valorized amount per year of service.

A small portion of the pensions are financed by insurance companies, but liability for the obligations themselves rests with the given companies.

In all countries with significant defined benefit plan obligations, the employee benefits are determined based on the following parameters:

	2017/18	2018/19
Interest rate (%)	1.80	1.50
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 2018-P
Germany	Richttafeln 2005 G	Heubeck-Richttafeln 2018 G

[1] Only salary-dependent and/or value-guaranteed commitments are recognized.

In August 2018, the Austrian Association of Actuaries (AVÖ) published the new mortality tables, "AVÖ 2018-P – Calculations for Pensions," which reflect particularly the increases in life expectancy in recent years. The resulting changes are reflected in the actuarial gains and losses arising from the change in demographic assumptions related to provisions for severance pay, pensions, and long-service bonuses.

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

Long-service bonus obligations
In most of the Group's Austrian 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 that is made when the respective service anniversary has been reached; depending on the length of service, the bonus generally amounts to between one and three monthly salaries.

OTHER PROVISIONS
Other provisions related 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 underlying the provisions are reviewed on an ongoing basis. The actual figures may deviate from the assumptions if the underlying parameters as of the reporting date have not developed as expected. As soon as better information is available, changes are recognized through profit or loss and the assumptions are adjusted accordingly.

Note that we are invoking the safeguard clause under IAS 37.92, according to which information on provisions is not disclosed if doing so 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 that the company cannot control in full). A contingent liability must also be stated if, in extremely rare cases, an existent liability cannot be recognized in the statement of financial position as a provision, because the liability cannot be reliably estimated.

As regards possible obligations, note that in accordance with IAS 37.92 information on contingent liabilities is not disclosed if doing so could seriously and adversely impact the company's interests.

EMPLOYEE SHAREHOLDING SCHEME

The employee shareholding scheme of the Group's Austrian companies is based on the appropriation of a portion of employees' salary and wage increases under collective bargaining agreements over several business years. The business year 2000/01 was the first time employees were granted voestalpine AG shares in return for a reduction by 1% of their salary or wage increase.

In each of the business years 2002/03, 2003/04, 2005/06, 2007/08, 2008/09, 2014/15, and 2018/19, between 0.3 percentage points and 0.5 percentage points of the increases under collective agreements were used to provide voestalpine AG shares to employees. The actual amount follows from the monthly contributions as of November 1 in each of 2002, 2003, 2005, 2007, 2008, 2014, and 2018, applying an annual increase of 3.5%. In the business years 2012/13, 2013/14, 2016/17, and 2017/18, additional contributions of between 0.27 percentage points and 0.43 percentage points of the pay increases for 2012, 2013, 2016, and 2017, respectively, under collective agreements were used for the shareholding scheme for those Austrian Group companies that did not participate in the employee shareholding scheme until a later date.

The Works Council and each company enter into an agreement to implement the Austrian employee shareholding scheme. Shares are acquired by voestalpine Mitarbeiterbeteiligung Privatstiftung (a private foundation that manages 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 share price fluctuations. Therefore, IFRS 2 does not apply to the allocation of shares based on collective bargaining agreements that stipulate lower salary or wage increases.

An international participation model that was developed for Group companies outside Austria was initially implemented in the business year 2009/10 in several companies in Great Britain and Germany. Due to the highly 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, in Switzerland, in Romania, in Sweden, and in Spain in the subsequent business years. In the business year 2018/19, a total of 97 companies in these 11 countries participated in the international employee shareholding scheme.

As of March 31, 2019, the voestalpine Mitarbeiterbeteiligung Privatstiftung held approximately 13.4% (March 31, 2018: 12.9%) of voestalpine AG's shares for employees. In addition, active and former employees of voestalpine hold approx. 1.4% (March 31, 2018: 1.1%) of the shares of voestalpine AG, the voting rights of which are exercised by the foundation. On the whole, therefore, as of March 31, 2019, the voting rights of 14.8% (March 31, 2018: 14.0%) of the share capital of voestalpine AG are bundled in the foundation.

C. SCOPE OF CONSOLIDATION

The consolidated Group (see the "Investments" appendix to the Notes) is defined in accordance with IFRS requirements. 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 Consolidated 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 power over the investee, is exposed to fluctuating returns on its investments, 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 up 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, because it participates in the entities' financial and operating policy decisions, but the decision-making processes are not controlled nor jointly managed. 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 entity'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 the disposal date. The Group's associates and joint ventures are listed in the "Investments" appendix to the Notes.

CHANGES IN THE SCOPE OF CONSOLIDATION

The scope of consolidation changed as follows during the past business year:

	Full consolidation	Equity method
As of April 1, 2018	**280**	**9**
Additions from acquisitions	3	
Change in the consolidation method		
Additions	4	
Disposals	–1	
Reorganizations	–4	
Divestments or disposals	–1	
As of March 31, 2019	**281**	**9**
Of which foreign companies	223	4

The following entities were deconsolidated during the business year 2018/19:

Name of entity	Date of deconsolidation
Full consolidation in the business year 2017/18	
Danube Equity GmbH	March 31, 2019
voestalpine Stamptec Pfaffenhofen GmbH & Co. KG	February 2, 2019
Reorganizations	
Sacma Acciai Speciali S.p.A.	April 1, 2018
DIN ACCIAI S.p.A.	April 1, 2018
voestalpine Bahnsysteme Beteiligungsverwaltung Deutschland GmbH	April 1, 2018
voestalpine Automotive Components Deutschland GmbH	April 1, 2018

voestalpine Stamptec Pfaffenhofen GmbH & Co. KG was liquidated effective February 2, 2019.

Due to the discontinuation of its business activities, Danube Equity GmbH was deconsolidated as of the close of the business year.

D. ACQUISITIONS AND OTHER ADDITIONS TO THE SCOPE OF CONSOLIDATION

The following entities were included in the Consolidated Financial Statements for the first time in the business year 2018/19:

Name of entity	Interest in %	Date of initial consolidation
Full consolidation		
voestalpine HR Services GmbH	100.000%	April 1, 2018
VOEST-ALPINE TUBULAR CORP.	100.000%	April 1, 2018
voestalpine Metal Engineering Verwaltung GmbH	100.000%	April 1, 2018
voestalpine Automotive Components Hungaria Kft.	100.000%	August 14, 2018
Travertec S.R.L.	60.000%	November 1, 2018
voestalpine Automotive Components Arad Beteiligung GmbH	100.000%	February 25, 2019
voestalpine Automotive Components Cartersville Beteiligung GmbH	100.000%	February 25, 2019

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

In accordance with IFRS 3, 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, taking into account 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. As regards the first-time full consolidations in accordance with IFRS 3, note that due to time constraints and/or the fact that not all valuations have been completed, the following items shall be considered provisional: property, plant and equipment; intangible assets; as well as inventories and provisions—and consequently goodwill as well.

The increase in majority interests is treated as a transaction between owners. The difference between the acquisition costs of additional shares and the pro-rated carrying amount of the non-controlling interests is recognized directly in equity. In the reporting period, EUR 2.4 million (2017/18: EUR 0.0 million) was paid for the acquisition of non-controlling interests or provisions were formed for the payment thereof. Non-controlling interests in the amount of EUR 2.4 million (2017/18: EUR 0.0 million) were derecognized.

Put options granted to non-controlling shareholders in exchange for their shares in Group companies are recognized 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, the assumption is that 100% of the entity was acquired. 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). The subsequent fair value measurement is recognized through profit or loss.

The liabilities for outstanding put options as of March 31, 2019 are EUR 6.4 million (March 31, 2018: EUR 0.4 million). The discounted cash flow method is applied for valuation purposes, taking the contractual maximum limits into account. The medium-term business plan and the discount rate, in particular, are some of the input factors in the discounted cash flow method.

On November 1, 2018, voestalpine VAE Apcarom SA (Metal Engineering Division) acquired a 60% stake in Travertec S.R.L. (the Romanian manufacturer of concrete sleepers) from PCM Rail.One AG (a German entity). The acquisition was made with the aim of broadening the Group's existent local product portfolio, which includes the production of turnouts and track sleepers, by key components as well as expanding and securing its market position in Romania and adjacent export markets.

As of February 25, 2019, voestalpine Metal Forming GmbH acquired 100% of the shares of both voestalpine Automotive Components Arad Beteiligung GmbH and voestalpine Automotive Components Cartersville Beteiligung GmbH.

These acquisitions have the following impact on the Consolidated Financial Statements:

	Recognized values
Non-current assets	1.0
Current assets	2.8
Non-current provisions and liabilities	–0.2
Current provisions and liabilities	–0.3
Net assets	**3.3**
Addition of non-controlling interests	–1.3
Acquisition costs	**2.0**
Cash and cash equivalents acquired	–0.6
Net cash outflow	**1.4**

In millions of euros

Since their initial consolidation, the acquisitions have contributed revenue of EUR 0.2 million to consolidated revenue. Their share in the Group's profit after tax for the same period was EUR 0.1 million. The reported consolidated revenue would have been EUR 0.8 million higher and the reported Group's profit after tax would have been EUR 0.4 million higher if the acquisitions had been consolidated as of April 1, 2018.

As part of the first-time full consolidation of Travertec S.R.L., fair values for trade receivables of EUR 0.4 million (gross carrying amount: EUR 0.4 million) and for other receivables of EUR 0.2 million (gross carrying amount: EUR 0.2 million) were taken over. Receivables that are probably uncollectible are considered immaterial.

E. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Name of the subsidiary	Domicile	03/31/2018	03/31/2019
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 is EUR 165.8 million (March 31, 2018: EUR 168.6 million), of which EUR 87.7 million (March 31, 2018: EUR 84.4 million) is attributable to voestalpine Tubulars GmbH & Co KG and EUR 32.5 million (March 31, 2018: EUR 35.5 million) is attributable to CNTT Chinese New Turnout Technologies Co., Ltd. The remaining non-controlling interests, considered individually, may be considered immaterial to the Group.

Summarized financial information for each subsidiary with non-controlling interests that are material to the Group is shown below. The figures correspond to the amounts prior to the elimination of intra-Group transactions.

SUMMARIZED STATEMENT OF FINANCIAL POSITION

	voestalpine Tubulars GmbH & Co KG		CNTT Chinese New Turnout Technologies Co., Ltd.	
	03/31/2018	03/31/2019	03/31/2018	03/31/2019
Non-current assets	122.3	122.9	15.1	13.1
Current assets	165.0	173.0	95.7	102.3
Non-current provisions and liabilities	30.2	32.6	2.9	3.0
Current provisions and liabilities	137.0	134.8	37.8	47.8
Net assets (100%)	**120.1**	**128.5**	**70.1**	**64.6**

In millions of euros

SUMMARIZED INCOME STATEMENT

	voestalpine Tubulars GmbH & Co KG		CNTT Chinese New Turnout Technologies Co., Ltd.	
	2017/18	2018/19	2017/18	2018/19
Revenue	456.1	534.3	76.1	71.7
EBIT	20.0	13.6	28.7	25.6
Profit after tax	16.8	10.8	21.7	21.0
Attributable to:				
Equity holders of the parent	8.4	5.4	10.8	10.5
Non-controlling interests	8.4	5.4	10.8	10.5
Dividends paid to non-controlling interests	0.0	0.0	6.5	14.2

In millions of euros

SUMMARIZED STATEMENT OF CASH FLOWS

	voestalpine Tubulars GmbH & Co KG		CNTT Chinese New Turnout Technologies Co., Ltd.	
	2017/18	2018/19	2017/18	2018/19
Cash flows from operating activities	2.4	21.9	13.0	23.8
Cash flows from investing activities	–24.6	–16.5	–1.0	–1.9
Thereof additions to/divestments of other financial assets	0.1	0.1	0.0	0.0
Cash flows from financing activities	21.7	–5.4	–12.9	–17.2
Net decrease/increase in cash and cash equivalents	**–0.5**	**0.0**	**–0.9**	**4.7**

In millions of euros

F. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES
SHARES IN IMMATERIAL JOINT VENTURES

SHARES IN IMMATERIAL JOINT VENTURES

Profits from the joint ventures, which are individually immaterial to voestalpine's Consolidated Financial Statements, are included using the equity method. Interests held are presented in the "Investments" appendix to the Notes. In each case, this information relates to the interests of the voestalpine Group in immaterial joint ventures and is broken down as follows:

	2017/18	2018/19
Group share of		
Profit after tax	0.9	0.7
Other comprehensive income	–0.2	0.1
Comprehensive income	**0.7**	**0.8**
Carrying amount immaterial joint ventures	**4.6**	**4.5**

In millions of euros

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

SHARES IN IMMATERIAL ASSOCIATES

Profits from associates that are individually immaterial to the voestalpine Consolidated Financial Statements are included using the equity method. This information relates to the interests of the voestalpine Group in associates and is broken down as follows:

	2017/18	2018/19
Group share of		
Profit after tax	14.3	13.2
Other comprehensive income	–1.4	1.0
Comprehensive income	**12.9**	**14.2**
Carrying amount immaterial associates	**113.9**	**119.8**

In millions of euros

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

G. EXPLANATIONS AND OTHER DISCLOSURES

1. REVENUE

The revenue stems solely from contracts with customers as defined in IFRS 15 (Revenue from Contracts with Customers) and includes all revenue generated through the voestalpine Group's ordinary business.

The amount of EUR 92.3 million recognized in contract liabilities as of April 1, 2018, was recognized as revenue in the business year 2018/19.

In keeping with IFRS 15.121, no disclosures are made with respect to the remaining performance obligations as of March 31, 2019, because all performance obligations have an expected initial term of one year or less.

The table below contains information on the breakdown of the external revenue of the voestalpine Group by region and sector for the business years 2018/19 and 2017/18[1]:

REVENUE BY REGION

	Steel Division		High Performance Metals Division	
	2017/18	2018/19	2017/18	2018/19
European Union (without Austria)	2,827.8	2,917.7	1,378.8	1,497.9
Austria	490.6	495.1	106.9	136.4
NAFTA	421.0	518.2	429.7	472.6
Asia	108.6	146.2	534.1	546.2
South America	179.4	91.9	189.0	200.9
Rest of World	341.5	295.7	222.0	228.7
Total revenue by region	**4,368.9**	**4,464.8**	**2,860.5**	**3,082.7**

REVENUE BY INDUSTRY

	Steel Division		High Performance Metals Division	
	2017/18	2018/19	2017/18	2018/19
Automotive	1,620.6	1,645.1	842.5	879.8
Energy	934.9	843.9	345.3	394.8
Railway systems	9.0	9.0	9.8	9.8
Building/Construction	346.0	385.1	105.7	111.4
Mechanical engineering	191.4	235.5	548.3	599.1
White goods/Consumer goods	163.6	144.0	356.4	372.8
Aerospace	0.0	0.0	324.7	368.1
Other	1,103.4	1,202.2	327.8	346.9
Total revenue by industry	**4,368.9**	**4,464.8**	**2,860.5**	**3,082.7**

[1] IFRS 15 was applied in the voestalpine Group for the first time as of April 1, 2018. As a result of using the modified retrospective application method, the previous year values have not been adjusted.

	Metal Engineering Division		Metal Forming Division		Other		Total Group	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	1,472.7	1,498.3	1,969.3	1,970.6	11.3	7.6	7,659.9	7,892.1
	203.4	208.1	95.7	120.8	4.3	3.6	900.9	964.0
	521.3	642.8	390.3	548.5	0.0	0.2	1,762.3	2,182.3
	325.4	345.0	95.4	79.5	0.2	0.1	1,063.7	1,117.0
	93.8	64.6	74.5	76.7	0.0	0.1	536.7	434.2
	330.5	345.8	80.3	100.9	0.0	0.0	974.3	971.1
	2,947.1	**3,104.6**	**2,705.5**	**2,897.0**	**15.8**	**11.6**	**12,897.8**	**13,560.7**

In millions of euros

	Metal Engineering Division		Metal Forming Division		Other		Total Group	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	475.9	487.5	1,477.7	1,575.1	0.0	0.0	4,416.7	4,587.5
	595.6	707.6	38.7	40.4	0.0	0.0	1,914.5	1,986.7
	1,400.7	1,415.9	1.5	3.9	0.0	0.0	1,421.0	1,438.6
	91.1	92.1	608.2	639.7	0.0	0.0	1,151.0	1,228.3
	137.7	143.4	244.1	255.2	0.0	0.0	1,121.5	1,233.2
	40.1	41.9	117.6	115.2	0.0	0.0	677.7	673.9
	0.0	0.0	19.9	20.7	0.0	0.0	344.6	388.8
	206.0	216.2	197.8	246.8	15.8	11.6	1,850.8	2,023.7
	2,947.1	**3,104.6**	**2,705.5**	**2,897.0**	**15.8**	**11.6**	**12,897.8**	**13,560.7**

In millions of euros

2. OPERATING SEGMENTS

The voestalpine Group has 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 system, the management structure, and the company's main sources of risks and rewards.

The Steel Division of the voestalpine Group is the global quality leader for highest quality strip steel and the global market leader in both heavy plate used in the most sophisticated applications and complex casings for large turbines. Its activities include the production of sophisticated hot and cold-rolled strip steel as well as electrogalvanized, hot-dip galvanized, and organically coated strip steel. This is augmented by electrical steel strip, heavy plate, and foundry activities as well as the downstream Steel & Service Center and Logistics Services. The division operates the world's most modern direct reduction plant in Corpus Christi, Texas, USA, which manufactures highest quality pre-materials (HBI) for both own and third-party steel production. It is the first point of contact for renowned automotive manufacturers and suppliers with respect to strategic product development and supports its customers globally. Moreover, it also is a key partner of the European white goods and mechanical engineering industries. The Steel Division produces heavy plate for the energy sector (which is used in the oil and natural gas industry as well as in connection with renewable energies) and for applications under extreme conditions (for example, deep-sea pipelines or in the world's permafrost regions).

The High Performance Metals Division is the global market leader in tool steel and high-speed steel. The division holds a leading position in the global market in special alloys for the oil and natural gas industry, the aerospace industry, and the energy engineering industry. It operates a global network of service centers with a focus on tool manufacturing, offering heat treatment and coating services besides warehousing and preprocessing of special steels. In Houston, Texas, USA, Singapore, and Birmingham, Great Britain, the division offers a broad range of services including logistics, distribution, and processing especially for the oil and natural gas industry, thus underscoring its position as a technology leader in this field by virtue of the one-stop-shop solutions it offers to its customers. With facilities in Düsseldorf, Germany, Toronto, Canada, Houston, Texas, USA, Singapore and Taiwan, additive manufacturing, a segment that will be hugely important in the future, is being established along the entire value chain—from powders to the finished "printed" part.

The Group's expertise as the world market leader in turnout technology and as the leading provider of high-quality rails and digital monitoring systems as well as services related to rail infrastructure are brought together in the Metal Engineering Division. In addition, this division offers a broad range of high-quality wire rod and drawn wire, premium seamless tubes for special applications as well as high-quality welding consumables. The Metal Engineering Division also possesses its own expertise in steel, which ensures ultra high-quality supplies of pre-materials throughout the division.

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

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

Segment revenue, segment expenses, and segment results include transfers between the operating segments. Such transfers are accounted for at transfer prices that correspond to competitive market prices charged to unaffiliated customers for similar products. These transactions are eliminated in the Consolidated Financial Statements.

The voestalpine Group uses earnings before interest and taxes (EBIT) as the key figure to measure the performance of the segments. This figure is a widely accepted indicator for measuring profitability in the Group.

The figures for the Group's operating segments are as follows:

OPERATING SEGMENTS

	Steel Division		High Performance Metals Division	
	2017/18	2018/19	2017/18	2018/19
Segment revenue	4,772.7	4,887.3	2,918.0	3,136.3
Of which revenue with third parties	4,368.9	4,464.8	2,860.5	3,082.7
Of which revenue with other segments	403.8	422.5	57.5	53.6
EBITDA	908.2	653.2	453.9	434.9
Depreciation and amortization of property, plant and equipment and intangible assets	315.3	334.2	156.3	154.9
Of which impairment	0.0	0.0	10.1	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	11.7	8.8	0.0	0.0
EBIT	592.9	319.0	297.6	280.0
EBIT margin	12.4%	6.5%	10.2%	8.9%
Interest and similar income	1.0	2.0	12.7	13.1
Interest and similar expenses	60.8	67.5	66.1	67.9
Income tax expense	–124.8	–76.1	–65.6	–74.6
Profit after tax	410.1	180.0	178.2	151.0
Segment assets	5,292.3	5,373.5	4,128.4	4,326.6
Of which investments in entities consolidated according to the equity method	96.8	98.8	0.0	0.0
Net financial debt	1,623.5	1,810.2	1,002.7	1,308.6
Investments in property, plant and equipment and intangible assets	229.5	322.5	226.4	241.2
Employees (full-time equivalent)	11,020	10,877	14,274	14,398

	Metal Engineering Division		Metal Forming Division		Other		Reconciliation		Total Group	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	2,989.7	3,147.1	2,743.4	2,937.4	1,629.4	1,603.4	–2,155.4	–2,150.8	12,897.8	13,560.7
	2,947.1	3,104.6	2,705.5	2,897.0	15.8	11.6	0.0	0.0	12,897.8	13,560.7
	42.6	42.5	37.9	40.4	1,613.6	1,591.8	–2,155.4	–2,150.8	0.0	0.0
	372.0	369.0	325.2	213.3	–102.5	–99.9	–2.7	–5.9	1,954.1	1,564.6
	181.0	167.0	112.4	119.5	9.1	9.6	0.0	0.0	774.1	785.2
	15.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.7	0.0
	0.0	6.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.9
	0.4	0.2	0.0	0.0	1.6	3.2	1.5	1.7	15.2	13.9
	191.0	202.0	212.8	93.8	–111.6	–109.5	–2.7	–5.9	1,180.0	779.4
	6.4%	6.4%	7.8%	3.2%					9.1%	5.7%
	2.4	3.4	1.5	3.4	170.5	179.4	–165.8	–177.6	22.3	23.7
	40.0	37.6	31.7	36.3	148.7	140.7	–169.9	–183.3	177.4	166.7
	–40.1	–35.2	–41.4	–11.5	54.8	10.1	0.0	0.2	–217.1	–187.1
	114.3	133.0	141.1	52.2	805.7	368.0	–824.0	–425.6	825.4	458.6
	3,357.9	3,485.3	2,442.8	2,686.2	11,656.5	11,517.2	–11,422.9	–11,737.2	15,455.0	15,651.6
	5.2	5.0	0.0	0.0	8.0	11.0	8.5	9.5	118.5	124.3
	972.0	1,028.7	757.9	1,027.4	–1,396.7	–2,057.7	35.7	8.2	2,995.1	3,125.4
	207.5	210.7	218.6	223.2	13.1	13.8	0.0	0.0	895.1	1,011.4
	13,481	13,501	12,003	12,240	843	891	0	0	51,621	51,907

In millions of euros

The reconciliation of the key performance indicators, EBITDA and EBIT, is shown in the following tables:

EBITDA

	2017/18	2018/19
Net exchange differences and result from valuation of derivatives	–3.2	–7.4
Consolidation	0.5	1.5
EBITDA – Total reconciliation	**–2.7**	**–5.9**

In millions of euros

EBIT

	2017/18	2018/19
Net exchange differences and result from valuation of derivatives	–3.2	–7.4
Consolidation	0.5	1.5
EBIT – Total reconciliation	**–2.7**	**–5.9**

In millions of euros

All other key performance indicators contain solely the effects of consolidation.

GEOGRAPHICAL INFORMATION

The following table provides select financial information summarized according to the major geographical areas. External revenue is broken down by the customers' geographical location.

Non-current assets and investments are reported based on the entities' geographical location.

	Austria		European Union		Other countries	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
External revenue	900.9	964.0	7,659.9	7,892.1	4,337.0	4,704.6
Non-current assets	5,126.4	5,314.0	1,664.8	1,663.2	1,537.7	1,670.5
Investments in property, plant and equipment and intangible assets	492.4	613.0	209.4	213.9	193.3	184.5

In millions of euros

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

3. OTHER OPERATING INCOME

	2017/18	2018/19
Gains on disposal and revaluation of intangible assets, property, plant and equipment	7.4	15.6
Income from the reversal of provisions	32.5	32.4
Currency gains	138.6	124.1
Income from the valuation of derivatives	21.2	17.4
Gains from deconsolidation	0.0	0.6
Other operating income	216.0	209.3
	415.7	**399.4**

In millions of euros

In the business year 2018/19, operating income of EUR 88.3 million (2017/18: EUR 89.2 million) from the sale of products not generated in the course of the Group's ordinary activities is included in other operating income.

4. OTHER OPERATING EXPENSES

	2017/18	2018/19
Taxes other than income taxes	17.6	16.3
Losses on disposal of property, plant and equipment	3.4	4.0
Currency losses	184.2	146.2
Expenses from the valuation of derivatives	10.0	7.8
Losses from deconsolidation	0.0	0.1
Other operating expenses	198.4	335.8
	413.6	**510.2**

In millions of euros

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

	2017/18	2018/19
Income from associates	14.3	13.2
Expenses from associates	0.0	0.0
Income from joint ventures	0.9	0.7
Expenses from joint ventures	0.0	0.0
	15.2	**13.9**

In millions of euros

Income from associates is primarily attributable to METALSERVICE S.P.A., APK-Pensionskasse AG, and Kocel Steel Foundry Co., Ltd. All income from entities consolidated according to the equity method in the business year 2018/19 concerns the pro-rated annual profit.

6. FINANCE INCOME

	2017/18	2018/19
Income from investments	14.0	3.5
Income from other securities and loans	6.1	4.0
Other interest and similar income	16.2	19.7
Income from the disposal and revaluation of financial assets and securities classified as current assets	8.3	9.1
	44.5	**36.3**

In millions of euros

7. FINANCE COSTS

	2017/18	2018/19
Expenses from the disposal and valuation of securities	4.1	3.4
Other expenses	0.5	0.0
Other interest and similar expenses	177.4	166.7
	182.0	**170.1**

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).

	2017/18	2018/19
Current tax expense	**227.5**	**153.8**
Effective tax expense	234.4	168.6
Adjustments of taxes from previous periods	–8.7	–14.1
Recognition of tax losses from previous periods	1.8	–0.7
Deferred tax expense	**–10.4**	**33.3**
Origination/reversal of temporary differences	–20.6	29.9
Adjustments of taxes from previous periods	7.2	8.6
Impact of changes in tax rates	10.2	2.2
Recognition of tax losses from previous periods	–7.2	–7.4
	217.1	**187.1**

In millions of euros

The effects of the changes in tax rates in the amount of EUR 2.2 million (2017/18: EUR 10.2 million) concern solely foreign taxes. The actual tax expense was reduced by the income tax effect of EUR –7.5 million from hybrid capital payments (2017/18: EUR –7.5 million).

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

	2017/18		2018/19	
Profit before tax		**1,042.5**		**645.7**
Income tax expense using the Austrian corporate tax rate	25.0%	260.6	25.0%	161.4
Difference to foreign tax rates	0.1%	1.4	–0.5%	–3.6
Non-taxable income and expenses	–1.8%	–19.2	–3.8%	–24.5
Non-taxable income from investments	–0.5%	–4.8	–0.7%	–4.4
Effects of depreciation of investments and utilization of previously unincluded loss carryforwards and non-recognition of loss carryforwards	–4.1%	–43.0	1.5%	9.6
Taxes from previous periods	–0.1%	–1.5	–0.9%	–5.5
Hybrid capital	–0.7%	–7.5	–1.2%	–7.5
Other differences	3.0%	31.1	9.6%	61.6
Effective Group tax rate (%)/income tax expense	**20.8%**	**217.1**	**29.0%**	**187.1**

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	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 April 1, 2017	**1,856.1**	**3,718.6**	**312.2**	**485.0**	**6,371.9**
Gross carrying amount	3,385.8	11,650.4	1,224.9	591.5	16,852.6
Accumulated depreciation and impairment	–1,645.2	–8,022.5	–901.3	–1.5	–10,570.5
Carrying amount as of March 31, 2018	**1,740.6**	**3,627.9**	**323.6**	**590.0**	**6,282.1**
Gross carrying amount	3,531.9	12,396.8	1,310.8	519.7	17,759.2
Accumulated depreciation and impairment	–1,722.4	–8,504.9	–949.2	–2.5	–11,179.0
Carrying amount as of March 31, 2019	**1,809.5**	**3,891.9**	**361.6**	**517.2**	**6,580.2**

In millions of euros

The reconciliation of the carrying amounts of the property, plant and equipment for the periods presented in the Consolidated Financial Statements as of March 31, 2019, is as follows:

	Land, land rights, and buildings	Plant and equipment	Fixtures and fittings	Advance payments and plant under construction	Total
Carrying amount as of April 1, 2017	**1,856.1**	**3,718.6**	**312.2**	**485.0**	**6,371.9**
Changes in the scope of Consolidated Financial Statements	2.0	1.6	0.1	0.0	3.7
Additions	61.9	259.3	80.0	460.4	861.6
Transfers	–30.0	345.2	16.9	–335.6	–3.5
Disposals	–5.1	–4.5	–1.6	–2.0	–13.2
Depreciation	–84.5	–538.1	–77.9	0.0	–700.5
Impairment losses	–6.4	–15.1	–0.7	0.0	–22.2
Reversal of impairment losses	0.1	0.0	0.0	0.0	0.1
Net exchange differences	–53.5	–139.1	–5.4	–17.8	–215.8
Carrying amount as of March 31, 2018	**1,740.6**	**3,627.9**	**323.6**	**590.0**	**6,282.1**
Changes in the scope of Consolidated Financial Statements	0.0	0.1	0.0	0.0	0.1
Additions	67.0	447.1	92.4	373.1	979.6
Transfers	82.7	326.3	31.3	–446.5	–6.2
Disposals	–14.4	–4.5	–2.1	–7.1	–28.1
Depreciation	–84.8	–568.1	–84.2	–0.9	–738.0
Net exchange differences	18.4	63.1	0.6	8.6	90.7
Carrying amount as of March 31, 2019	**1,809.5**	**3,891.9**	**361.6**	**517.2**	**6,580.2**

In millions of euros

As of March 31, 2019, restrictions on the disposal of property, plant and equipment were EUR 0.6 million (March 31, 2018: EUR 4.0 million). Furthermore, as of March 31, 2019, commitments for the purchase of property, plant and equipment were EUR 439.3 million (March 31, 2018: EUR 398.1 million).

Borrowing costs related to qualifying assets in the amount of EUR 3.8 million (2017/18: EUR 6.2 million) were capitalized in the reporting period. The calculation was based on an average borrowing rate of 2.0% (2017/18: 2.4%).

The disposals of land, land rights, and buildings include EUR 13.3 million in assets held for sale.

As of March 31, 2019, the gross carrying amount and accumulated depreciation of investment properties (IAS 40) included afore are as follows:

	03/31/2018	03/31/2019
Gross carrying amount	22.1	2.6
Accumulated depreciation and impairment	–8.5	–2.3
Carrying amount	**13.6**	**0.3**

In millions of euros

The following table shows the reconciliation of the carrying amounts of investment properties for the periods presented in the Consolidated Financial Statements as of March 31, 2019:

	2017/18	2018/19
Carrying amount as of April 1	**14.7**	**13.6**
Transfers	–1.1	0.0
Disposals	0.0	–13.3
Net exchange differences	0.0	0.0
Carrying amount as of March 31	**13.6**	**0.3**

In millions of euros

Investment properties are measured at cost. Depreciation is recognized in line with the general accounting policies for property, plant and equipment. Based on comparable sales transactions, the fair value of these assets is estimated at EUR 0.3 million (March 31, 2018: EUR 24.8 million). Rental income and expenses for investment properties are immaterial.

In the business year 2018/19, the Management Board resolved and the Supervisory Board approved the sale of undeveloped properties in Meerbusch, Germany, not required for operating purposes. This led to negotiations with several interested parties. The sale is in line with the strategy of selling assets not required for operating purposes. These properties will probably be sold within 12 months. The sale proceeds are expected to substantially exceed the carrying amounts of the properties, with the result that no impairment losses were recognized on these properties at the time they were classified as held for sale. The properties are allocable to the High Performance Metals Division and are shown separately in the statement of financial position.

The carrying amount for each asset class under finance leases included in property, plant and equipment is 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		
2017/18						
Gross carrying amount	49.9	31.1	6.3	0.0	1.0	88.3
Accumulated depreciation and impairment	–22.0	–25.1	–4.3	0.0	–1.0	–52.4
Carrying amount	**27.9**	**6.0**	**2.0**	**0.0**	**0.0**	**35.9**
2018/19						
Gross carrying amount	39.5	13.2	6.9	0.0	0.0	59.6
Accumulated depreciation and impairment	–17.7	–11.9	–5.3	0.0	0.0	–34.9
Carrying amount	**21.8**	**1.3**	**1.6**	**0.0**	**0.0**	**24.7**

In millions of euros

The terms and present value of the minimum finance lease payments are as follows:

	Minimum finance lease payments		Discounts on finance lease payments		Present value of the minimum finance lease payments	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Less than one year	14.2	8.5	–0.8	–0.6	13.3	7.9
Between one and five years	4.3	7.6	–1.0	–0.7	3.3	6.9
More than five years	5.4	0.5	–0.1	0.0	5.3	0.5
	23.9	**16.6**	**–1.9**	**–1.3**	**21.9**	**15.3**

In millions of euros

The most significant finance leases for buildings and production plants have a remaining term of five years. The Group has the option in this connection to purchase the plants at the end of a contractually agreed period or to exercise the given contract renewal option.

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 have the following terms:

	2017/18	2018/19
Less than one year	47.9	47.3
Between one and five years	113.8	116.8
More than five years	60.3	42.9
	222.0	**207.0**

In millions of euros

Payments of EUR 64.3 million (2017/18: EUR 62.7 million) under operating leases have been recognized as expenses.

The most significant operating leases concern land and buildings with minimum lease terms of up to 50 years subject, in some cases, to termination options on the part of voestalpine companies and, in certain cases, to renewal options. Purchase options at fair value are available at the end of the lease term. 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 classification

	2017/18	2018/19
Cost of sales	672.2	702.4
Distribution costs	29.1	32.9
Administrative expenses	28.0	29.1
Other operating expenses	44.8	20.7
	774.1	**785.1**

In millions of euros

Impairment losses and reversal of impairment losses
In the previous year, the cash generating unit of the Metal Engineering Division that produces special drawn wire (ultrafine wire) recognized impairment losses of EUR 12.2 million on property, plant and equipment as well as of EUR 3.5 million on intangible assets, for a total of EUR 15.7 million, in other operating expenses due to negative sales-related developments, the resulting adjustment of the division's strategic alignment, and lowered earnings forecasts. These impairment losses contrast with reversals of investment grants in the amount of EUR 0.8 million. The recoverable amount (value in use) of these assets was EUR 31.5 million. A pre-tax discount rate of 7.88% was applied.

Also in the previous year, write-downs of EUR 10.1 million were taken on property, plant and equipment in other operating expenses for the Brazilian CGU of the High Performance Metals Division—whose largest export market is the United States—due to the Section 232 restrictions that the US has placed on exports and the ensuing uncertainties. The recoverable amount (value in use) for this CGU was EUR 197.9 million (translated at the end of period exchange rate). The discount rates applied were between 8.19% and 16.95% before tax.

10. GOODWILL

	03/31/2017	03/31/2018	03/31/2019
Gross carrying amount	1,561.8	1,558.2	1,560.6
Impairment	–12.3	–12.3	–12.3
Carrying amount	**1,549.5**	**1,545.9**	**1,548.3**

In millions of euros

The following table shows the reconciliation of the carrying amounts of goodwill for the periods presented in the Consolidated Financial Statements as of March 31, 2019:

	Goodwill
Carrying amount as of April 1, 2017	**1,549.5**
Additions	0.3
Disposals	0.0
Net exchange differences	–3.9
Carrying amount as of March 31, 2018	**1,545.9**
Additions	0.0
Net exchange differences	2.4
Carrying amount as of March 31, 2019	**1,548.3**

In millions of euros

Impairment tests of cash generating units or groups of cash generating units containing goodwill

Goodwill is allocated to the following CGUs or groups of CGUs:

	2017/18	2018/19
Total Steel Division	**160.1**	**160.1**
HPM Production	378.8	378.8
Value Added Services	311.2	313.5
Total High Performance Metals Division	**690.0**	**692.3**
Steel	25.8	25.8
Wire Technology	7.1	7.1
Railway Systems	154.3	154.4
Tubulars	67.1	67.1
Welding Consumables	172.5	172.5
Total Metal Engineering Division	**426.8**	**426.9**
Tubes & Sections	70.0	70.0
Automotive Components	84.0	84.0
Precision Strip	103.8	103.8
Warehouse & Rack Solutions	11.2	11.2
Total Metal Forming Division	**269.0**	**269.0**
voestalpine Group	**1,545.9**	**1,548.3**

In millions of euros

As regards 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 of each year 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 expanded by sectoral planning assumptions. Intra-Group evaluations are supplemented by external market studies. The determination of the perpetual annuity is based on country-specific growth figures derived from external sources. The capital costs are calculated as the weighted average cost of equity and borrowings using the capital asset pricing model (weighted average cost of capital – WACC). The parameters used for determining WACC are established on an objective basis.

The following estimates and assumptions were used to measure the recoverable amounts of CGUs or groups of CGUs that account for a significant portion of the voestalpine Group's total goodwill:

The **Steel Division** focuses on the production and processing of steel products for the automotive, white goods, electrical, processing as well as energy and engineering industries. The five-year, medium-term business plan for the Steel Division was prepared, for one, 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, for another, taking into account expected steel consumption.[2] EUROFER anticipates slight growth in the demand for steel, especially in the construction industry. The CRU index is also taken into account in the planning for flat steel products.

Some quality-related adjustments were made in response to positive feedback from individual customer segments. The production plan reflects the sales forecasts. As regards procurement, the planning was based on assumptions concerning raw materials derived from global market forecasts (e.g. Platts price assessments). Based on these assumptions, the gross margin is expected to hold steady in the medium term.

The fifth plan year was used to calculate the perpetual annuity based on an expected growth rate of 1.40% (2017/18: 1.43%). The pre-tax WACC is 8.35% (2017/18: 8.35%).

The five-year, medium-term business plan for the **High Performance Metals Division** and its two units to which goodwill has been allocated—High Performance Metals (HPM) Production and Value Added Services—was based on 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 on the growth forecasts for the regional sales markets of its core markets, in particular, the eurozone, the USA, China, and Brazil (based on the voestalpine Macroeconomic Report[6] and Eurostat[7]).

HPM Production bundles seven production locations around the world. Its production activities cover a highly complex and highly demanding range of production: tool steel, high-speed steel, valve steel, high-grade engineering steel, powder-metallurgical steel, powder for additive manufacturing, special steels, and nickel-based alloys. Product manufacturing ranges from smelting to transforming (rolling, forging, hot-rolled, and cold-rolled strips) all the way to heat treatment and processing; add to that the fulfilment of the properties and specifications required by customers. The processing companies produce plate, profiles, and forged parts made of titanium alloys, nickel-based alloys as well as high, medium, and low-grade alloyed steels.

[1] World Economic Outlook, IMF
[2] EUROFER—the European Steel Association
[3] LMC Automotive Q3 2018, HIS Automotive—global light vehicle production forecast
[4] IEA Energy Statistics & Wood Mackenzie
[5] Oxford Economics
[6] voestalpine Macroeconomic Report
[7] Eurostat

The internal forecasts and estimates for HPM Production—particularly with regard to the components business that targets sophisticated metallurgical applications in the aerospace, oil and gas, energy engineering, and automotive industries—rely on external sources of information and are largely consistent with them. A moderate trend is forecast for the automotive segment. The recovery of the oil and gas segment has been incremental. The aerospace industry should again see a positive trend, with market momentum 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 alloy prices can be passed on to customers in part. The final plan year was used to calculate the perpetual annuity based on a growth factor of 1.78% (2017/18: 1.78%). The pre-tax WACC is 9.75% (2017/18: 10.19%).

In the **Value Added Services** business segment, the continued systematic expansion of services in the planning period will lead to greater customer loyalty and deeper value creation. Further emphases were already 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. Moreover, an all-out effort is being undertaken in coordination with the powder strategy of the HPM Production unit to turn additive manufacturing into the division's core competence. Ongoing activities will additionally focus on the systematic continuation of tried and tested cost-savings and optimization programs as well as on new initiatives, especially in the area of process digitalization. This will lead to higher revenue and a positive gross margin trend in the planning period. Changes in the cost of materials due to alloy prices can also be passed on to the market in part by way of so-called "alloy surcharges." The perpetual annuity begins with the fifth plan year and is based on a growth factor of 1.79% (2017/18: 1.71%). The pre-tax WACC is 9.98% (2017/18: 10.21%).

The Rail Technology and Turnout Systems business segments were combined in the **Railway Systems** business segment as of April 1, 2018. The Group's expertise as the leading provider of high-quality rails, high-tech turnouts, and digital monitoring systems as well as related services were brought together under this roof to help further expand its global presence as a provider of complete railway infrastructure systems. The medium-term planning for Railway 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 individual regions.[2] As regards the development of material factor costs, 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 will be kept relatively constant over the planning period and that potential fluctuations in individual markets will balance each other out due to the business segment's global reach. The perpetual annuity begins with the fifth plan year. The growth rate extrapolated in the cash flows is 1.60%. The pre-tax WACC is 8.24%. A growth rate of 1.72% and a pre-tax WACC of 9.05% were posited for the Turnout Systems business segment reported in the previous year.

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

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, particularly alloys, are derived from current quoted market prices as well as available forecasts. Both volume growth and a slight increase in the gross margin are anticipated for the planning period, given the organizational measures and optimization programs—which have been initiated, are being implemented, and will be pushed systematically during the planning period too—as well as pertinent market forecasts. The discounted cash flow method used in the impairment tests is applied using a perpetual annuity based on the last planning period. A growth factor of 1.52% (2017/18: 1.51%) was applied to calculate the perpetual annuity. The pre-tax WACC is 8.11% (2017/18: 8.46%).

The cash flow forecasts for **Automotive Components** are based on the medium-term market growth and production forecasts for the global automotive market based on 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—the European premium manufacturers. Internal estimates reflect the business segment's internationalization and growth strategy of the Automotive Components segment. External indicators and market dynamics were adjusted in line with the current model portfolio of Automotive Components customers. Furthermore, customer-specific information regarding medium-term outlooks and sales projections served as sources for the sales planning of 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 1.52% (2017/18: 1.37%). The pre-tax WACC is 9.19% (2017/18: 9.37%).

Precision Strip specializes in the production of globally available, technologically complex cold-rolled strip steel products with precise dimensional accuracy, excellent 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 taking into account the general regional parameters in the core markets and reflects the general economic environment of the industry segments that are key to the given entities. Current market conditions are characterized by stiff competition and strong 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 generally adjusted very slightly downward. These external forecasts are country-specific figures for expected economic growth (GDP forecasts)[3] that were supplemented by industry-specific experience in the relevant markets for the perspective product segments. Customer-specific information regarding 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 1.38% (2017/18: 1.40%). The pre-tax WACC is 9.01% (2017/18: 9.17%).

[1] World Economic Outlook, IMF
[2] LMCA GAPF Data
[3] World Economic Outlook, IMF

The impairment tests confirmed the value of all goodwill. A sensitivity analysis of the aforementioned units to which goodwill has been allocated shows that all carrying amounts with two exceptions (High Performance Metals Production and Welding Consumables) would still be covered if the interest rate were to rise by one percentage point and thus that there is no need to recognize an impairment loss. Furthermore, the cash flow sensitivity analysis has shown that, if the cash flows are reduced by 10%, all carrying amounts (with the exception of Welding Consumables) are still covered and that there is no need to recognize an impairment loss. A combined sensitivity analysis of the aforementioned units to which goodwill has been allocated has shown that, if the discount rate is raised by one percentage point and the cash flow reduced by 10%, the carrying amounts (with the exception of High Performance Metals Production and Welding Consumables) are still covered.

The following table shows the excess of the carrying amount over the recoverable value as well as the amount by which both major assumptions would have to change for the estimated recoverable amount to be equal to the carrying amount:

HIGH PERFORMANCE METALS PRODUCTION

	2017/18	2018/19
Excess of carrying amount over recoverable amount in millions of euros	380.3	240.2
Discount rate in %	1.4	0.8
Cash flow in %	–16.3	–10.5

WELDING CONSUMABLES

	2017/18	2018/19
Excess of carrying amount over recoverable amount in millions of euros	25.9	46.3
Discount rate in %	0.3	0.6
Cash flow in %	–5.5	–9.3

11. OTHER INTANGIBLE ASSETS

	Brands	Other	Advance payments or payments in progress	Total
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 April 1, 2017	**196.7**	**172.7**	**50.0**	**419.4**
Gross carrying amount	227.6	1,349.3	34.9	1,611.8
Accumulated amortization and impairment	–36.6	–1,179.2	0.0	–1,215.8
Carrying amount as of March 31, 2018	**191.0**	**170.1**	**34.9**	**396.0**
Gross carrying amount	227.6	1,362.6	49.2	1,639.4
Accumulated amortization and impairment	–42.3	–1,202.0	0.0	–1,244.3
Carrying amount as of March 31, 2019	**185.3**	**160.6**	**49.2**	**395.1**

In millions of euros

The “Brands” column contains brands with an indefinite useful life in the amount of 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 an unlimited useful life
The following CGUs and groups of CGUs contain brands with an indefinite useful life:

	2017/18	2018/19
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 trademarks are expected to generate cash flows is not subject to a foreseeable limit. Hence trademarks are not subject to wear and tear and are not amortized. No impairments have arisen.

The following table shows the reconciliation of the carrying amounts of the other intangible assets for the periods presented in the Consolidated Financial Statements as of March 31, 2019:

	Brands	Other	Advance payments or payments in progress	Total
Carrying amount as of April 1, 2017	**196.7**	**172.7**	**50.0**	**419.4**
Changes in the scope of Consolidated Financial Statements	0.0	0.2	0.0	0.2
Additions	0.0	18.3	10.8	29.1
Transfers	0.0	29.3	–25.9	3.4
Disposals	0.0	–0.1	0.0	–0.1
Amortization	–5.7	–42.1	0.0	–47.8
Impairment losses	0.0	–3.5	0.0	–3.5
Net exchange differences	0.0	–4.7	0.0	–4.7
Carrying amount as of March 31, 2018	**191.0**	**170.1**	**34.9**	**396.0**
Changes in the scope of Consolidated Financial Statements	0.0	0.9	0.0	0.9
Additions	0.0	13.8	17.0	30.8
Transfers	0.0	8.5	–2.5	6.0
Disposals	0.0	0.0	–0.2	–0.2
Amortization	–5.7	–41.4	0.0	–47.1
Impairment losses	0.0	0.0	0.0	0.0
Reversal of impairment losses	0.0	6.9	0.0	6.9
Net exchange differences	0.0	1.8	0.0	1.8
Carrying amount as of March 31, 2019	**185.3**	**160.6**	**49.2**	**395.1**

In millions of euros

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

As of March 31, 2019, commitments for the acquisition of intangible assets were EUR 0.1 million (March 31, 2018: EUR 0.2 million). Additions to "Advance payments or payments in progress" contain EUR 13.8 million (March 31, 2018: EUR 8.0 million) in capitalized development costs for a software project intended to map cross-company business processes and business processes that have been harmonized across the Steel Division. The carrying amount in the other intangible assets as of March 31, 2019, is EUR 89.0 million (March 31, 2018: EUR 82.3 million), and the expected useful life is ten years.

Impairment losses and reversal of impairment losses
In the business year 2018/19, the Metal Engineering Division recognized EUR 6.9 million in reversals of impairment losses (2017/18: EUR 0.0 million) on intangible assets in other operating income for a CGU that engages in the production of seamless tubes. The recoverable amount of these assets is EUR 32.5 million. The discount rates applied are between 6.15% and 7.38% before tax.

In the previous year, the CGU of the Metal Engineering Division that produces special drawn wire (ultra-fine wire) recognized impairment losses of EUR 3.5 million on intangible assets in other operating expenses. Detailed information on this impairment is contained in Note 9. Property, plant and equipment.

12. INVESTMENTS IN ENTITIES CONSOLIDATED ACCORDING TO THE EQUITY METHOD, OTHER FINANCIAL ASSETS AND OTHER SHARES IN COMPANIES

	Investments in affiliates	Investments in associates	Investments in joint ventures	Other investments and shares in companies	Securities	Loans	Advance payments	Total
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 April 1, 2017	8.3	109.2	3.8	38.0	2.4	17.2	0.1	179.0
Gross carrying amount	14.1	114.4	4.6	47.9	1.1	6.7	0.2	189.0
Accumulated depreciation/revaluation	–6.5	–0.5	0.0	–12.0	0.3	–0.7	0.0	–19.4
Carrying amount as of March 31, 2018	7.6	113.9	4.6	35.9	1.4	6.0	0.2	169.6
Gross carrying amount	23.4	120.5	4.5	47.9	0.9	2.7	0.2	200.1
Accumulated depreciation/revaluation	–12.4	–0.7	0.0	–11.9	0.3	–0.5	0.0	–25.2
Carrying amount as of March 31, 2019	**11.0**	**119.8**	**4.5**	**36.0**	**1.2**	**2.2**	**0.2**	**174.9**

In millions of euros

The following table shows the reconciliation of the carrying amounts of investments in entities consolidated according to the equity method, other financial assets, and other shares in companies for the periods presented in the Consolidated Financial Statements as of March 31, 2019:

	Investments in affiliates	Investments in associates	Investments in joint ventures	Other investments and shares in companies	Securities	Loans	Advance payments	Total
Carrying amount as of April 1, 2017	**8.3**	**109.2**	**3.8**	**38.0**	**2.4**	**17.2**	**0.1**	**179.0**
Changes in the scope of Consolidated Financial Statements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additions	0.1	14.3	0.9	0.0	0.0	0.1	0.1	15.5
Transfers	0.0	0.0	0.0	0.0	0.0	–0.1	0.0	–0.1
Disposals	–0.3	–8.1	0.0	–2.1	–1.1	–11.1	0.0	–22.7
Depreciation/ impairment	–0.5	–0.1	0.0	0.0	0.0	0.0	0.0	–0.6
Revaluation	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1
Net exchange differences	0.0	–1.4	–0.2	0.0	0.0	–0.1	0.0	–1.7
Carrying amount as of March 31, 2018	**7.6**	**113.9**	**4.6**	**35.9**	**1.4**	**6.0**	**0.2**	**169.6**
Changes in the scope of Consolidated Financial Statements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additions	0.4	13.3	0.8	0.0	0.0	0.5	0.0	15.0
Transfers	3.3	0.0	0.0	0.0	0.0	–0.1	0.0	3.2
Disposals	–0.3	–8.3	–1.0	0.0	–0.2	–4.2	0.0	–14.0
Depreciation/ impairment	0.0	–0.1	0.0	0.0	0.0	0.0	0.0	–0.1
Revaluation	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Net exchange differences	0.0	1.0	0.1	0.0	0.0	0.0	0.0	1.1
Carrying amount as of March 31, 2019	**11.0**	**119.8**	**4.5**	**36.0**	**1.2**	**2.2**	**0.2**	**174.9**

In millions of euros

Loans granted comprise the following items:

	03/31/2017	03/31/2018	03/31/2019
Loans to affiliates	0.5	0.3	0.1
Other loans	10.9	5.3	2.0
Other receivables from financing	5.8	0.4	0.1
	17.2	**6.0**	**2.2**

In millions of euros

13. DEFERRED TAXES

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

	Deferred tax assets		Deferred tax liabilities	
	03/31/2018	03/31/2019	03/31/2018	03/31/2019
Non-current assets	37.4	52.5	250.3	304.3
Current assets	66.5	104.8	91.9	154.7
Non-current provisions and liabilities	205.2	231.5	48.8	42.8
Current provisions and liabilities	32.2	51.8	22.0	31.7
Losses carried forward	154.8	192.9	0.0	0.0
	496.1	**633.5**	**413.0**	**533.5**
Intercompany profit elimination (netted)	28.1	24.8	0.0	0.0
Hidden reserves (netted)	0.0	0.0	97.3	91.0
Acquisition-related tax credit	54.2	36.1	0.0	0.0
Other	20.4	18.6	0.0	1.6
Netting of deferred taxes owed to the same tax authority	–402.7	–515.6	–402.7	–515.6
Net deferred taxes	**196.1**	**197.4**	**107.6**	**110.5**

In millions of euros

As of April 1, 2018, the tax effects of the initial application of IFRS 15 (Revenue from Contracts with Customers) increased the deferred tax assets by EUR 4.7 million (current assets) and the deferred tax liabilities by EUR 2.7 million (current assets).

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

Deferred tax assets on losses carried forward in the amount of EUR 192.9 million (March 31, 2018: EUR 154.8 million) were recognized. As of March 31, 2019, unused tax losses of approximately EUR 507.6 million (corporate income tax) (March 31, 2018: approximately EUR 303.3 million), for which no deferred tax asset has been recognized, are available. Approximately EUR 67.9 million in tax loss carryforwards (corporate income tax) will expire by 2029.

Deferred tax assets of EUR 86.9 million (previous year: EUR 84.5 million)—which are instrumental to the recognition of future taxable income in excess of the effects on earnings from the reversal of taxable temporary differences—were recognized for Group companies that incurred a tax loss in the reporting or previous business year. The recognized amount is based on the tax-related budgetary accounting for the respective company or tax group.

No deferred tax liabilities are shown for EUR 2,349.3 million (March 31, 2018: EUR 2,315.0 million) in taxable temporary differences from investments in subsidiaries, joint ventures, and associates, because the parent company can control the timing of the reversal of the temporary differences and because no reversal of the temporary differences is expected for the foreseeable future.

The change in the difference between deferred tax assets and deferred tax liabilities is EUR –3.6 million (March 31, 2018: EUR –5.8 million). This basically corresponds to the deferred tax expense of EUR –33.3 million (March 31, 2018: deferred tax income of EUR 10.4 million); to the change in deferred tax assets recognized in other comprehensive income in the amount of EUR 27.6 million (March 31, 2018: EUR –9.5 million); to the change in deferred taxes due to differences from foreign currency translation in the amount of EUR 2.4 million (March 31, 2018: EUR –5.3 million); and to the change in deferred taxes from initial consolidation and deconsolidation in the amount of EUR –0.3 million (March 31, 2018: EUR 0.0 million).

Additional disclosures pursuant to IAS 12.81 (ab):

	Change 2017/18	03/31/2018	Change 2018/19	03/31/2019
Deferred taxes on actuarial gains/losses	–7.2	150.4	26.6	177.0
Deferred taxes on cash flow hedges	–2.3	–2.9	1.0	–1.9
Total of deferred taxes recognized in other comprehensive income	**–9.5**	**147.5**	**27.6**	**175.1**

In millions of euros

14. INVENTORIES

	03/31/2018	03/31/2019
Raw materials and supplies	1,337.0	1,403.7
Work in progress	1,213.7	1,127.4
Finished goods	1,185.5	1,267.3
Merchandise	194.2	194.8
As yet unbillable services	16.9	9.2
Advance payments	51.1	50.6
	3,998.4	**4,053.0**

In millions of euros

The Consolidated Financial Statements contain write-downs to the lower net realizable value of EUR 155.7 million (March 31, 2018: EUR 135.5 million). The carrying amount of the inventories that have been written down to the lower net realizable value is EUR 605.2 million (March 31, 2018: EUR 458.3 million). As in the previous year, no inventories are pledged as security for liabilities as of March 31, 2019. An amount of EUR 7,195.4 million (March 31, 2018: EUR 6,935.7 million) has been recognized as cost of materials.

15. TRADE AND OTHER RECEIVABLES

	03/31/2018	Of which remaining term of more than 1 year	03/31/2019	Of which remaining term of more than 1 year
Trade receivables	1,330.2	0.4	1,249.2	1.2
Contract assets	0.0	0.0	266.0	3.7
Other receivables and other assets	442.8	18.7	506.1	44.2
Of which current tax assets	42.2		38.7	
	1,773.0	**19.1**	**2,021.3**	**49.1**

In millions of euros

As of April 1, 2018, contract assets are valued at EUR 214.5 million. Note 1. Revenue contains further information on the contract assets and liabilities.

16. CASH AND CASH EQUIVALENTS

	03/31/2018	03/31/2019
Cash on hand, cash at banks, checks	**705.8**	**485.9**

In millions of euros

17. EQUITY

Share capital (incl. disclosures in accordance with Section 241 Austrian Commercial Code *(Unternehmensgesetzbuch – UGB)*)
As of March 31, 2019, the share capital is EUR 324,391,840.99 (March 31, 2018: EUR 320,394,836.99) and is divided into 178,549,163 (March 31, 2018: 176,349,163) no-par value bearer shares. All shares are fully paid in.

Under Article 4 (2a) of the Articles of Incorporation, the Management Board of voestalpine AG is authorized until June 30, 2019, to increase the company's share capital with the approval of the Supervisory Board by up to EUR 125,323,693.90 by issuing up to 68,979,665 shares (= 40%) in return for cash contributions—if necessary in several tranches (Authorized Capital 2014/I). The Management Board has not exercised this authorization up until now.

Under Article 4 (2b) of the Articles of Incorporation, the Management Board of voestalpine AG is authorized until June 30, 2019, to increase the company's share capital by up to EUR 31,330,923.02 with the approval of the Supervisory Board by issuing up to 17,244,916 shares (= 10%) in return for contributions in kind and/or in cash for the purpose of issuing 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 to exclude the shareholders' subscription right (i) if the capital increase is made in return for contributions in kind, i.e. if shares are issued for the purpose of acquiring companies, operations, or partial operations, or if shares are issued for one or more companies located in Austria or abroad; or (ii) if the capital increase is carried out 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 has utilized this authorization for the purpose of issuing shares to employees and executives of the company and of affiliated companies under the existent employee shareholding scheme three times:

» **Resolution dated March 9, 2015:** Increase of the share capital of voestalpine AG by issuing 2,500,000 new no-par value bearer shares and thus by 1.45%. This capital increase was recorded in the Commercial Register on April 25, 2015.

» **Resolution dated March 6, 2017:** Increase of the share capital of voestalpine AG by issuing 1,400,000 new no-par value bearer shares and thus by 0.8%. This capital increase was recorded in the Commercial Register on March 30, 2017.

» **Resolution dated December 3, 2018:** Increase of the share capital of voestalpine AG by issuing 2,200,000 new no-par value bearer shares and thus by approx. 1.25%. This capital increase was recorded in the Commercial Register on January 26, 2019.

Under Article 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%) to be issued to creditors of financial instruments as defined in Section 174 Austrian Stock Corporation Act *(Aktiengesetz – AktG)* (convertible bonds, income bonds, or participation rights); the Management Board was authorized to issue these shares at the Annual General Meeting on July 2, 2014 (Contingent Capital Increase). To date, the Management Board has not exercised the authorization granted on July 2, 2014, to issue financial instruments as defined in Section 174 Austrian Stock Corporation Act.

At the Annual General Meeting on July 5, 2017, the Management Board was authorized for a period of 30 months to repurchase treasury shares representing up to 10% of the respective share capital. The buyback price may not be more than 20% less than or 10% higher than the average closing price of the shares on the three market trading days prior to the buyback. 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 treasury shares, and share-based compensation.

Reserves for treasury shares include the deducted acquisition cost and/or the increase in equity from disposals of treasury shares at cost.

Retained earnings include the profit after tax less dividend distributions. When majority interests are increased or decreased, the difference between the acquisition cost of 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 provisions for severance payments and pension obligations are recognized directly and in full in retained earnings in the year in which they are incurred.

The translation reserve serves to cover 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, 2019, has changed as follows:

	Number of no-par value shares	Number of treasury shares	Number of shares outstanding
Balance as of April 1, 2017	**176,349,163**	**28,597**	**176,320,566**
Balance as of March 31, 2018	**176,349,163**	**28,597**	**176,320,566**
Additions	2,200,000		2,200,000
Balance as of March 31, 2019	**178,549,163**	**28,597**	**178,520,566**

Shares

Hybrid capital

In the fourth quarter of the business year 2012/13, voestalpine AG issued a new subordinate, undated EUR 500.0 million bond (Hybrid Bond 2013) 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 EUR 500.0 million; the bond was subsequently terminated and redeemed in full 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 is +4.93% from October 31, 2019, to October 31, 2024; and the 3-month EURIBOR is +4.93% plus a step-up of 1% starting from October 31, 2024. The Hybrid Bond 2013 may be called and redeemed by voestalpine AG, but not the creditors, for the first time on October 31, 2019. A total of EUR 30.0 million in interest payments on the Hybrid Bond 2013 was disbursed on October 31, 2018 (October 31, 2017: EUR 30.0 million).

As this instrument satisfies the equity criteria of IAS 32, 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 were EUR 2.8 million, less a tax effect of EUR 0.7 million. This results in the recognition of hybrid capital in the amount of EUR 497.9 million in equity.

Share-based compensation

As part of the practice of granting employees voestalpine shares in connection with the annual performance bonus, 83.7 thousand shares with a market value of EUR 4.0 million (2017/18: EUR 1.6 million) were removed from equity for this purpose, and 43.5 thousand shares with a value of EUR 1.1 million (2017/18: EUR 4.1 million) were added to equity.

18. PENSIONS AND OTHER EMPLOYEE OBLIGATIONS

	03/31/2018	03/31/2019
Provisions for severance payments	588.8	603.8
Provisions for pensions	439.9	513.6
Provisions for long-service bonuses	143.0	159.5
	1,171.7	**1,276.9**

In millions of euros

PROVISIONS FOR SEVERANCE PAYMENTS

	2017/18	2018/19
Present value of the defined benefit obligations (DBO) as of April 1	**605.7**	**588.8**
Service costs for the period	12.8	12.0
Past service costs	0.0	0.3
Interest costs for the period	9.3	10.1
Gains (–)/losses (+) on plan settlements	0.0	0.0
Changes in the scope of Consolidated Financial Statements	0.0	0.0
Severance payments	–33.7	–37.6
Actuarial gains (–)/losses (+) due to changes in financial assumptions	–12.5	18.9
Actuarial gains (–)/losses (+) due to changes in demographic assumptions	0.0	7.1
Actuarial gains (–)/losses (+) due to experience-based adjustments	7.2	4.2
Plan settlements	0.0	0.0
Other	0.0	0.0
Present value of the defined benefit obligations (DBO) as of March 31	**588.8**	**603.8**

In millions of euros

EUR 12.8 million (2017/18: EUR 9.7 million) in expenses were recognized in the income statement for defined contribution severance payments to external employee pension funds.

PROVISIONS FOR PENSIONS

	Present value of the DBO	Plan assets	Provisions for pensions
As of April 1, 2017	**783.7**	**–306.8**	**476.9**
Service costs for the period	9.7		9.7
Past service costs	–2.8		–2.8
Net interest for the period	14.7	–5.6	9.1
Return on plan assets (excluding amounts included in net interest)		–8.3	–8.3
Gains (–)/losses (+) on plan settlements/curtailments	–1.4		–1.4
Changes in the scope of Consolidated Financial Statements	0.0		0.0
Pension payments	–33.5	18.6	–14.9
Net exchange differences	–12.1	4.9	–7.2
Employer contributions/repayments		–1.9	–1.9
Employee contributions		–1.7	–1.7
Actuarial gains (–)/losses (+) due to changes in financial assumptions	–16.4		–16.4
Actuarial gains (–)/losses (+) due to changes in demographic assumptions	0.0		0.0
Actuarial gains (–)/losses (+) due to experience-based adjustments	–1.4		–1.4
Plan settlements	–0.1		–0.1
Other	3.1	–2.8	0.3
As of March 31, 2018	**743.5**	**–303.6**	**439.9**

In millions of euros

PROVISIONS FOR PENSIONS

	Present value of the DBO	Plan assets	Provisions for pensions
As of April 1, 2018	**743.5**	**–303.6**	**439.9**
Service costs for the period	9.5		9.5
Past service costs	–0.9		–0.9
Net interest for the period	15.1	–6.0	9.1
Return on plan assets (excluding amounts included in net interest)		5.9	5.9
Gains (–)/losses (+) on plan settlements/curtailments	0.0		0.0
Changes in the scope of Consolidated Financial Statements	0.0		0.0
Pension payments	–32.8	17.8	–15.0
Net exchange differences	2.5	–2.9	–0.4
Employer contributions/repayments		–2.0	–2.0
Employee contributions		–1.4	–1.4
Actuarial gains (–)/losses (+) due to changes in financial assumptions	33.6		33.6
Actuarial gains (–)/losses (+) due to changes in demographic assumptions	32.4		32.4
Actuarial gains (–)/losses (+) due to experience-based adjustments	3.0		3.0
Plan settlements	0.0		0.0
Other	–2.9	2.8	–0.1
As of March 31, 2019	**803.0**	**–289.4**	**513.6**

In millions of euros

The major plan asset categories for the periods presented in the Consolidated Financial Statements as of March 31, 2019, are as follows:

2017/18

Category	Assets with a quoted market price in an active market	Assets without a quoted market price in an active market	Total assets
Debt instruments	48.4%	0.3%	48.7%
Equity instruments	30.0%	0.0%	30.0%
Property	0.0%	2.4%	2.4%
Cash and cash equivalents	5.3%	0.1%	5.4%
Insurance contracts	0.0%	8.6%	8.6%
Other assets	4.8%	0.1%	4.9%
Total	**88.5%**	**11.5%**	**100.0%**

2018/19

Category	Assets with a quoted market price in an active market	Assets without a quoted market price in an active market	Total assets
Debt instruments	42.9%	1.4%	44.3%
Equity instruments	29.2%	0.0%	29.2%
Property	0.0%	3.0%	3.0%
Cash and cash equivalents	5.6%	0.1%	5.7%
Insurance contracts	0.0%	9.6%	9.6%
Other assets	8.2%	0.0%	8.2%
Total	**85.9%**	**14.1%**	**100.0%**

The plan assets include treasury shares with a fair value of EUR 0.9 million (March 31, 2018: EUR 1.8 million).

The average expected return is determined by the portfolio structure of the plan assets, empirical data, and estimates of future returns. The calculation of the provisions for pensions was based on an expected (average) interest rate of 2.0% on plan assets. The actual interest rate was 0.0%.

EUR 37.4 million (2017/18: EUR 28.6 million) in expenses were recognized in the income statement for defined contribution plans.

The sensitivity analysis of the key actuarial assumptions used to determine defined benefit obligations affects the DBO as follows:

SENSITIVITIES

	Interest rate		Salary/wage increases		Pension increases	
	+1.0%	**–1.0%**	**+0.5%**	**–0.5%**	**+0.25%**	**–0.25%**
Pensions	–13.3%	+16.8%	+0.8%	–0.7%	+2.9%	–2.8%
Severance payments	–9.9%	+11.8%	+5.5%	–5.1%		

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 instead by way of comprehensive analyses subject to variation of the parameters.

For the business year 2019/20, the expected contributions to the defined benefit plans are EUR 1.9 million.

The average, interest-weighted term of pension plans is 14.8 years, and 11.0 years for severance payments.

PROVISIONS FOR LONG-SERVICE BONUSES

	2017/18	2018/19
Present value of the long-service bonus obligations as of April 1	**143.8**	**143.0**
Service costs for the period	9.4	9.3
Interest costs for the period	2.2	2.5
Changes in the scope of Consolidated Financial Statements	0.0	0.0
Long-service bonus payments	–7.9	–10.3
Actuarial gains (–)/losses (+) due to changes in assumptions	–3.4	13.7
Actuarial gains (–)/losses (+) due to experience-based adjustments	–0.7	0.9
Other	–0.4	0.4
Present value of the long-service bonus obligations as of March 31	**143.0**	**159.5**

In millions of euros

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

	2017/18	2018/19
Service costs for the period and past service costs	29.1	30.2
Net interest for the period	20.6	21.7
Gains (–)/losses (+) on plan settlements/curtailments	–1.4	0.0
Actuarial gains (–)/losses (+) from long-service bonus obligations	–4.1	14.6
Expenses/revenue recognized in the income statement	**44.2**	**66.5**

In millions of euros

Net interest for the period is recognized in finance costs.

19. PROVISIONS

	Balance as of 04/01/2018	Changes in the scope of Consolidated Financial Statements	Net exchange differences	Use	Reversals	Transfers	Additions	Balance as of 03/31/2019
Non-current provisions								
Other personnel expenses	21.6	0.0	0.1	–2.8	–0.2	–7.9	3.2	14.0
Warranties and other risks	10.3	0.0	0.0	–1.8	–4.6	–0.3	2.5	6.1
Other non-current provisions	44.7	0.0	–0.3	–0.8	–1.4	7.0	98.0	147.2
	76.6	**0.0**	**–0.2**	**–5.4**	**–6.2**	**–1.2**	**103.7**	**167.3**
Current provisions								
Unused vacation entitlements	145.2	0.0	–0.1	–88.0	–0.1	0.2	97.0	154.2
Other personnel expenses	212.3	0.0	1.3	–184.8	–5.7	0.1	171.7	194.9
Warranties and other risks	49.4	0.0	0.6	–10.6	–10.9	0.4	16.6	45.5
Onerous contracts	31.1	0.0	0.0	–23.5	–1.1	0.0	31.0	37.5
Other current provisions	176.7	0.2	1.1	–96.8	–9.0	0.4	138.2	210.8
	614.7	**0.2**	**2.9**	**–403.7**	**–26.8**	**1.1**	**454.5**	**642.9**
	691.3	**0.2**	**2.7**	**–409.1**	**–33.0**	**–0.1**	**558.2**	**810.2**

In millions of euros

The provisions for personnel expenses mainly include incentive payments and bonuses. Provisions for warranties and other risks as well as for onerous contracts concern current operating activities. The other provisions mainly consist of provisions for sales commission; 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 amount that would be required to settle these obligations at the reporting date. The statistical measure is the expected value. In turn, this is based on the probability of an event occurring in the light of past experience.

Provisions for onerous contracts are recognized when the unavoidable cost of meeting the given contractual obligations exceed the expected revenue. Before recognizing separate provisions for an onerous contract, an entity recognizes an impairment loss on the assets associated with the given contract.

The provisions recognized in the annual financial statements 2017/18 in the amount of EUR 30.2 million for the matters in connection with the anti-trust proceedings relating to railway superstructure material as well as for the discontinuation of TSTG Schienen Technik GmbH & Co KG were reduced to EUR 26.3 million due to the use of these provisions in the business year 2018/19.

Entities of the High Performance Metals Division of the voestalpine Group were affected by proceedings of the German Federal Cartel Office *(Bundeskartellamt)* against companies that produce, process, or sell special steel products. These proceedings had already become public back in November 2015, following searches conducted at voestalpine's competitors. The proceedings of the German Federal Cartel Office were triggered by an application under the Leniency Notice submitted by voestalpine AG. As the principal witness, no fines were imposed on the voestalpine Group. No provisions were recognized in this regard in the current 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, at the behest of the German Federal Cartel Office. The search took place with the cooperation of Austrian authorities on suspicion of anti-competitive practices in the Heavy Plate segment. voestalpine AG is taking these allegations very seriously and is cooperating with the authorities. Provisions were set up in the reporting period for any potentially adverse financial effects.

Increases in provisions totaling EUR 0.6 million (2017/18: EUR 0.7 million) are included in the reporting period due to both accrued interest and changes in the discount rate.

20. FINANCIAL LIABILITIES

	Remaining term of up to 1 year		Remaining term of more than 1 year	
	03/31/2018	03/31/2019	03/31/2018	03/31/2019
Bonds and bank loans	1,189.4	1,009.9	2,714.0	2,594.3
Liabilities from finance leases	13.3	7.9	8.6	7.4
Liabilities to affiliates	12.0	11.0	0.0	0.0
Liabilities to other investments	1.2	0.4	0.0	0.0
Other financial liabilities	99.6	113.1	61.0	60.1
	1,315.5	**1,142.3**	**2,783.6**	**2,661.8**

In millions of euros

On October 5, 2012, voestalpine AG issued a corporate bond of EUR 500.0 million. The bond was redeemed on October 5, 2018. The outstanding principal of the bond accrued 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%.

In the business year 2018/19 (as in the previous year), there were no buybacks of corporate bonds.

21. TRADE AND OTHER PAYABLES

	03/31/2018	03/31/2019
Prepayments received on orders	76.5	0.0
Trade payables	1,412.5	1,487.8
Contract liabilities	0.0	114.5
Trade payables with reverse factoring agreements	43.6	5.7
Liabilities from bills of exchange accepted and drawn	620.3	702.6
Other liabilities from taxes	95.9	92.3
Other liabilities related to social security	49.9	51.9
Other liabilities	348.4	383.7
	2,647.1	**2,838.5**

In millions of euros

As of April 1, 2018, contract liabilities were EUR 92.3 million. Note 1. Revenue contains further information on contract assets and liabilities.

22. CONTINGENT LIABILITIES

	03/31/2018	03/31/2019
Liabilities from the issue and transfer of bills of exchange	1.4	2.1
Surety bonds and guarantees	0.5	0.6
	1.9	**2.7**

In millions of euros

The Austrian Federal Finance Court has directed a request for a preliminary ruling to the European Court of Justice (ECJ) with regard to the Austrian energy tax rebate (BFG 10/31/2014, RE/5100001/2014). The amendment of the Austrian Energy Tax Rebate Act in the Budget Accompanying Act 2011 *(Energieabgabenvergütungsgesetz mit dem Budgetbegleitgesetz 2011)*, applicable to periods after December 31, 2010, restricted the energy tax rebate to production companies. Subsequently, the question of whether this restriction, which may be deemed state aid, violated EU law was submitted to the ECJ for a preliminary ruling; this has actually been affirmed by the court (ECJ 7/21/2016, docket no. C-493/14, Dilly's Wellnesshotel GmbH). As a result, the restrictions pursued by the Budget Accompanying Act 2011 did not enter into force with legal effect and, therefore, service providers, in particular, can retroactively claim 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 this decision to the Higher Administrative Court, which forwarded the case anew to the ECJ in September 2017 (Resolution of September 14, 2017, EU 2017/0005 and 0006-1). The final applications of the advocate general were filed on February 14, 2019. To date, it is not known when the decision on the matter pending before the ECJ (C-585/17) will be handed down. 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 fund the business activities of the Group. The Group holds various financial assets, such as trade receivables, short-term deposits, and non-current investments, which arise directly from its business activities.

The Group also uses derivative financial instruments. They mainly include interest rate swaps, forward exchange transactions, and commodity swaps. These derivative financial instruments serve to hedge interest rate and currency risks as well as 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 the availability of the liquidity necessary for supporting the Group's business activities and maximizing shareholder value, the primary objective of its capital management is to ensure an adequate credit rating and a satisfactory equity ratio.

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

The target 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/EBITDA ratio may not exceed 3.0. All growth measures and capital market transactions are aligned with these ratios.

These two ratios developed as follows in the reporting period:

	03/31/2018	03/31/2019
Gearing ratio in %	45.7%	46.6%
Net financial debt to EBITDA ratio	1.5	2.0

Financial risk management – Corporate finance organization
Financial risk management also includes raw material risk management. Financial risk management is organized centrally with respect to policy-making power, strategy determination, and target definition. The existent policies include targets, principles, duties, and responsibilities for both Group Treasury and individual Group companies. In addition, they govern matters related to pooling; money markets; credit and securities management; currency, interest rate, liquidity, and commodity price risks; and the reporting system. Group Treasury, acting as a service center, is responsible for implementation. Three organizationally separate units are responsible for closing, processing, and recording transactions, which makes sure that a six-eyes principle is followed. Policies, policy compliance, and the conformity of business processes with the internal control system (ICS) 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 risk appetite is more on the low side. The strategy is aimed at achieving natural hedges and reducing fluctuations in cash flows and earnings. Market risks are largely hedged by means of derivative financial instruments.

To quantify interest rate risks, voestalpine AG uses both the interest rate exposure and the fair value risk as indicators. The interest rate exposure quantifies the impact of a 1% change in the market interest rate on interest income and/or interest expense. The fair value risk refers to the change in the fair values of interest-rate-sensitive items if the interest yield curve shifts simultaneously by 1%.

voestalpine AG uses the "@risk" approach to quantify currency risk. The maximum loss within one year is determined with a certainty of 95%. Risk is determined for the open position, which is defined as the budgeted quantity for the next 12 months less the quantity that has already been hedged. The variance/covariance approach is used to evaluate foreign currency risks.

Liquidity risk – Financing
Liquidity risk refers to the risk of not being able to fulfill payment obligations due to insufficient funds.

The primary instrument for controlling liquidity risks is a precise financial plan that is submitted quarterly on a revolving basis by the operating entities directly to Group Treasury of voestalpine AG. The need for funds and bank credit lines are determined based on the consolidated results.

Working capital is financed by 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. Group Treasury deposits any residual liquidity with its principal banks. This makes it possible to lower the borrowing volume and optimize net interest income.

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

voestalpine AG carries securities and current investments as a capitalized liquidity reserve. As of March 31, 2019, freely disposable securities were EUR 182.2 million (March 31, 2018: EUR 388.1 million). Furthermore, cash and cash equivalents in the amount of EUR 485.9 million (March 31, 2018: EUR 705.8 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 700.0 million (2017/18: EUR 700.0 million) are available to bridge any economic downturns.

The sources of financing are managed pursuant to the principle that the Group must remain independent of banks. Hence financing is currently provided by approximately 20 different domestic and foreign banks. The capital market is also used as a source of financing. The following capital market transaction was effected in the business year 2017/18:

Issuance of a new Senior Bond 2017–2024	EUR 500.0 million

The following capital market transactions were effected in the business year 2018/19:

Issuance of new borrower's notes	EUR 300.0 million
Issuance of new borrower's notes	USD 320.0 million

In April 2019, voestalpine AG successfully placed a new EUR 500.0 million corporate bond issue with a coupon of 1.75% in the capital market for general corporate funding purposes. April 10, 2019, was the value date and start of official trading of the seven-year bond (ISIN AT0000A27LQ1).

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

LIABILITIES

	Due within 1 year		Due between 1 and 5 years		Due after more than 5 years	
	03/31/2018	03/31/2019	03/31/2018	03/31/2019	03/31/2018	03/31/2019
Bonds	459.0	0.0	395.4	396.7	496.8	497.2
Bank loans	730.4	1,009.9	1,640.2	1,293.7	181.6	406.7
Trade payables	1,455.6	1,487.5	0.4	0.3	0.0	0.0
Liabilities from finance leases	13.3	7.9	3.3	6.9	5.3	0.5
Liabilities from foreign currency hedges and commodity hedges	17.0	15.4	0.0	2.7	0.0	0.0
Thereof designated as hedge accounting	3.9	2.6	0.0	2.3	0.0	0.0
Liabilities from interest hedges (incl. cross currency swaps)	4.2	2.0	0.4	0.9	0.0	0.0
Thereof designated as hedge accounting	0.5	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	112.8	124.5	35.9	35.1	25.0	25.0
Total liabilities	**2,792.3**	**2,647.2**	**2,075.6**	**1,736.3**	**708.7**	**929.4**

In millions of euros

As estimated as of the reporting date, the following (prospective) interest expense corresponds to these existent liabilities:

	Due within 1 year		Due between 1 and 5 years		Due after more than 5 years	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Interest on bonds	34.3	15.9	54.5	45.5	13.8	6.9
Interest on bank loans	42.2	54.1	61.0	113.4	11.4	24.7
Interest on liabilities from finance leases	0.8	0.6	1.0	0.7	0.1	0.0
Interest on interest hedges (incl. cross currency swaps)	7.8	13.0	8.8	10.3	0.0	0.0
Interest on other financial liabilities	1.8	1.9	4.6	3.9	1.5	0.8
Total interest expense	**86.9**	**85.5**	**129.9**	**173.8**	**26.8**	**32.4**

In millions of euros

Credit risk

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

The management of credit risks 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 being contingent on the bank's rating.

For the most part, cash and cash equivalents are deposited with banks whose credit ratings are good. They are generally invested for the short term. The associated credit risk thus is secondary.

BREAKDOWN OF INVESTMENTS AT FINANCIAL INSTITUTIONS BY RATING CLASS

	AAA	AA	A	BBB	<BBB/NR
Bonds	21.6	43.7	0.0	2.6	0.0
Money market investments excl. account credit balances	0.0	45.4	54.5	11.7	0.0
Derivatives[1]	0.0	8.4	15.9	2.3	1.8

[1] Only positive market value

In millions of euros

The credit risk associated with derivative financial instruments is limited to transactions with a positive fair value and, in this case, to the amount of the fair value. As a result, solely the positive fair value of the derivative transactions is counted against the limit. Derivatives are closed exclusively based on standardized master agreements for financial futures transactions.

The credit risk of the underlying transactions is minimized to a large degree through a large number of credit insurances and bankable securities (guarantees, letters of credit). The default risk related to the Group's remaining own risk is managed by way of defined credit assessment, risk evaluation, risk classification, and credit monitoring processes. The credit risk of the counterparties to financial contracts is managed by monitoring the given counterparties' credit ratings and changes in their credit default swap (CDS) levels on a daily basis.

Depending on both the customer structure and the line of business, financial assets are deemed to have been defaulted when they are more than 180 days past due or when it is no longer certain that they will be paid in full absent collateral sales.

Receivables are classified as financial assets with impaired credit ratings when specific indicators of impairment are present (in particular, substantial financial difficulties on the part of the debtor, default or late payments, heightened risk of insolvency). Receivables are written off (derecognized) when they become uncollectible (especially when the counterparty becomes insolvent). A write-up to the amortized cost is made if the reasons for the write-down no longer exist.

The maximum theoretical default risk equals the amount at which the receivables are recognized in the statement of financial position.

The expected loss rates are determined based on historical default rates in the past five years.

As most of the receivables are insured, the risk of bad debt losses may be considered minor. There is no concentration of default risks, because the customer portfolio is well diversified.

The gross carrying amounts and allowances for trade receivables and contract assets are as follows:

	2018/19
Gross carrying amount of trade receivables and contract assets	1,545.7
Less gross carrying amount of trade receivables and contract assets that are credit impaired	–62.4
Gross carrying amount of trade receivables and contract assets that are not credit impaired	**1,483.3**
Less portfolio value adjustments	–0.7
Net carrying amount of trade receivables and contract assets that are not credit impaired	**1,482.6**

In millions of euros

TRADE RECEIVABLES AND CONTRACT ASSETS THAT ARE PAST DUE BUT NOT CREDIT-IMPAIRED

	2018/19
Up to 30 days past due	165.0
31 to 60 days past due	47.9
61 to 90 days past due	21.8
91 to 120 days past due	11.0
More than 120 days past due	47.0
Total	**292.7**

In millions of euros

The loss allowances for trade receivables and contract assets that are credit impaired have developed as follows:

LOSS ALLOWANCE FOR RECEIVABLES THAT ARE CREDIT-IMPAIRED (INDIVIDUAL VALUE ADJUSTMENTS)

	2018/19
Opening balance as of April 1	**24.6**
Additions	11.4
Net exchange differences	–0.2
Changes in the scope of Consolidated Financial Statements	–0.4
Reversal	–3.7
Use	–2.0
Closing balance as of March 31	**29.7**

In millions of euros

LOSS ALLOWANCE FOR RECEIVABLES THAT ARE NOT CREDIT-IMPAIRED (PORTFOLIO VALUE ADJUSTMENTS)

	2018/19
Opening balance as of April 1	**1.2**
Change	–0.5
Closing balance as of March 31	**0.7**

In millions of euros

In the business year 2018/19, the portfolio value adjustments were not affected by any significant individual loss allowances.

Prior-year comparative information pursuant to IAS 39:

As of the reporting date, receivables of EUR 1,480.3 million were neither past due nor impaired.

The age structure of receivables that are past due but not yet impaired is presented below:

RECEIVABLES THAT ARE PAST DUE BUT NOT IMPAIRED

	2017/18
Up to 30 days past due	157.8
31 to 60 days past due	45.4
61 to 90 days past due	14.8
91 to 120 days past due	10.0
More than 120 days past due	31.8
Total	**259.8**

In millions of euros

The following individual loss allowances were recognized for the voestalpine Group's receivables during the reporting period:

INDIVIDUAL LOSS ALLOWANCES FOR RECEIVABLES

	2017/18
Gross value of impaired receivables	57.5
Opening balance as of April 1	**32.8**
Additions	5.8
Net exchange differences	–1.4
Changes in the scope of Consolidated Financial Statements	–0.1
Reversal	–8.2
Use	–4.3
Closing balance as of March 31	**24.6**
Net value of impaired receivables	32.9

In millions of euros

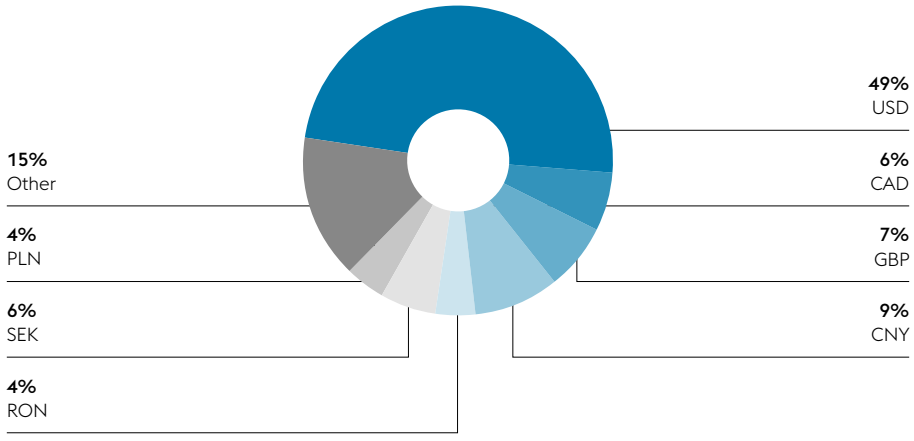
Currency risk
The largest currency position in the Group arises from raw materials purchases in USD; however, the global business activities of the voestalpine Group also give rise to currency exposures in various other currencies.

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 12 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 615.3 million in the business year 2018/19. The decrease compared to the previous year (USD 933.8 million) was due primarily to a reduction in the volume of raw materials purchases. The remaining foreign currency exposure, resulting primarily from exports to the "non-eurozone" and raw material purchases, is significantly lower than the USD risk.

Based on the Value-at-Risk (VaR) calculation, as of March 31, 2019, the risks for all open positions for the upcoming business year are as follows:

FOREIGN CURRENCY PORTFOLIO 2018/19



Undiversified	USD	GBP	SEK	RON	CNY	CAD	PLN	Other
Position[1]	–484.9	55.8	–49.0	41.6	40.1	37.4	30.1	67.4
VaR (95%/year)	67.8	7.2	5.2	2.7	5.6	5.4	3.6	20.0

[1] Unhedged planned positions for the business year 2019/20 — In millions of euros

Taking into account the correlations between the different currencies, the resulting portfolio risk for the voestalpine Group is EUR 70.2 million (March 31, 2018: EUR 57.7 million).

Interest rate risks

voestalpine AG differentiates between cash flow risks (the risk that interest expenses or interest income will undergo a detrimental change) for variable-interest financial instruments and the 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 the interest expense subject to risk considerations. In order to achieve a natural hedge for interest-bearing positions, the modified duration of assets is closely linked to the modified duration of 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 14.2 million (2017/18: EUR 8.8 million).

The weighted average interest rate for asset positions is 0.61% (2017/18: 0.42%) with a duration of 0.40 years (2017/18: 0.70 years)—including money market investments—and 1.78% (2017/18: 1.82%) for liability positions with a duration of 2.01 years (2017/18: 1.77 years).

	Position[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	659.7	0.61%	0.40	0.57	–0.4	–5.7
Liabilities	3,768.1	1.78%	2.01	3.27	80.8	20.0
Net	–3,108.4				80.4	14.3

[1] In millions of euros
[2] Excluding revolving export loans of EUR 391.0 million

The net present value (NPV) risk determined using the Value-at-Risk calculation for March 31, 2019, is equal to EUR 0.0 million (March 31, 2018: EUR 0.3 million) for positions on the assets side, given a 1% change in the interest rate, and EUR 88.7 million (March 31, 2018: EUR 30.5 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 88.7 million (March 31, 2018: EUR 30.2 million).

The asset positions include EUR 129.6 million (March 31, 2018: EUR 337.0 million) in investments in the V54 fund of funds. One hundred percent of the fund assets are invested in euro or cash bonds and money market securities of the two sub-funds (V101 and V103) as well as in various special funds, as follows:

Funds

Sub-fund V101	EUR 54.4 million	with a duration of 1.11
Sub-fund V103	EUR 25.0 million	with a duration of 0.75
Special funds	EUR 50.0 million	(only included in V54)

In addition to the investment fund, there are also securities exposures in the amount of EUR 64.3 million (March 31, 2018: EUR 55.6 million).

In the business year 2018/19, the V54 fund of funds posted gains of 0.47% (2017/18: 0.44%).

Derivative financial instruments

In the business year 2018/19, hedge accounting in accordance with IFRS 9 (2017/18: in accordance with IAS 39) was used to hedge foreign currency cash flows, interest-bearing receivables and liabilities, and raw materials purchase agreements. In this connection, all transactions related to foreign currency and interest rate hedges are hedged in toto. Solely the commodity index component is hedged in connection with raw materials procurement contracts. A hedging ratio of 100% is stipulated in this connection. The hedges are cash flow hedges. Hedge accounting is only applied to a portion of the completed hedge transactions.

The following derivative financial instruments are classified as cash flow hedges:

	Nominal amount		Fair value			
			Assets		Liabilities	
	03/31/2018	03/31/2019	03/31/2018	03/31/2019	03/31/2018	03/31/2019
Cash flow hedge						
Foreign currency hedges	436.2	389.3	15.6	3.3	2.6	4.5
Interest rate hedges	253.7	0.0	0.0	0.0	0.5	0.0
Commodity hedges	23.6	88.5	0.3	9.2	1.4	0.4
Total	**713.5**	**477.8**	**15.9**	**12.5**	**4.5**	**4.9**

	Line item in the statement of financial position that includes the hedging instrument	Change in the fair value used as the basis for recognizing hedge ineffectiveness	Ineffectiveness		Line item in the statement of comprehensive income that includes the ineffectiveness	Maturity	
		2018/19	2017/18	2018/19		03/31/2018	03/31/2019
	Trade and other receivables (assets) Trade and other payables (liabilities)	–1.2	0.0	0.0		up to 4 years	up to 3 years
	Trade and other payables (liabilities)	0.0	0.0	0.0		up to 1 year	
	Trade and other receivables (assets) Trade and other payables (liabilities)	8.8	–0.1	0.0	Other operating expenses	up to 3 years	up to 2 years
		7.6	**–0.1**	**0.0**			

In millions of euros

The hedging volume is as follows:

	Nominal amount (in millions of euros) 03/31/2019	Quantity (ton) 03/31/2019	Average rate 03/31/2019
Cash flow hedge			
Foreign currency hedges			
USD	389.3		1.1674
Interest rate hedges			
Fixed interest rate	0.0		0.00
Commodity hedges	88.5	652,303	
Iron ore	28.9	454,961	63.57
Coking coal	31.5	185,012	170.03
Zinc	28.1	12,330	2,277.52
Total	**477.8**	**652,303**	

The following underlying transactions were hedged:

	Change in the value of the hedged item used as the basis for recognizing any ineffectiveness 03/31/2019	Cash flow hedge reserve 03/31/2019
Cash flow hedge		
Currency risk (future purchase and sale transactions)	1.2	–1.2
Interest rate risk (future interest payments)	0.0	0.0
Commodity price risk (future purchase and sale transactions)	–8.8	8.8
Total	**–7.6**	**7.6**

In millions of euros

The cash flow hedge reserve developed as follows:

CASH FLOW HEDGE

	2017/18	2018/19
Opening balance as of April 1	**1.6**	**8.7**
Hedging gains and losses recognized in other comprehensive income	14.2	–2.1
Foreign currency hedges	13.0	–10.9
Interest rate hedges	2.0	0.0
Commodity hedges	–0.8	8.8
Reclassification from other comprehensive income to profit or loss (financial result)	0.0	0.5
Interest rate hedges	0.0	0.5
Reclassification from other comprehensive income to non-financial assets	–4.8	–2.5
Foreign currency hedges	0.9	–3.4
Commodity hedges	–5.7	0.9
Deferred taxes on changes in the cash flow hedge reserve	–2.3	1.0
Closing balance as of March 31	**8.7**	**5.6**

In millions of euros

The following derivative financial instruments are measured at fair value. The associated gains/losses are posted in the income statement:

	Nominal amount		Fair value			
			Assets		Liabilities	
	31/03/2018	31/03/2019	31/03/2018	31/03/2019	31/03/2018	31/03/2019
Foreign currency hedges	1,027.6	849.0	3.9	2.3	11.9	13.1
Cross currency swaps	186.9	191.0	9.0	14.1	4.2	2.9
Commodity hedges	31.8	11.3	0.6	1.2	1.7	0.1
Total	**1,246.3**	**1,051.3**	**13.5**	**17.6**	**17.8**	**16.1**

In millions of euros

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

	Total contractual cash flows		Contractual cash flows					
			up to 1 year		between 1 and 5 years		more than 5 years	
	31/03/ 2018	31/03/ 2019	31/03/ 2018	31/03/ 2019	31/03/ 2018	31/03/ 2019	31/03/ 2018	31/03/ 2019
Interest rate hedges								
Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	–0.5	0.0	–0.5	0.0	0.0	0.0	0.0	0.0
	–0.5	**0.0**	**–0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Foreign currency hedges								
Assets	15.6	3.3	6.0	3.3	9.6	0.0	0.0	0.0
Liabilities	–2.6	–4.5	–2.6	–2.2	0.0	–2.3	0.0	0.0
	13.0	**–1.2**	**3.4**	**1.1**	**9.6**	**–2.3**	**0.0**	**0.0**
Commodity hedges								
Assets	0.3	9.2	0.3	9.2	0.0	0.0	0.0	0.0
Liabilities	–1.4	–0.4	–1.4	–0.4	0.0	0.0	0.0	0.0
	–1.1	**8.8**	**–1.1**	**8.8**	**0.0**	**0.0**	**0.0**	**0.0**

In millions of euros

The nominal amounts are allocated to the aforementioned maturity buckets as follows:

	Total nominal amount	Nominal amount		
		up to 1 year	between 1 and 5 years	more than 5 years
	31/03/2019	31/03/2019	31/03/2019	31/03/2019
Foreign currency hedges				
Assets	246.7	246.7	0.0	0.0
Liabilities	142.6	66.9	75.7	0.0
	389.3	**313.6**	**75.7**	**0.0**
Commodity hedges				
Assets	73.5	73.2	0.3	0.0
Liabilities	15.0	15.0	0.0	0.0
	88.5	**88.2**	**0.3**	**0.0**

In millions of euros

Categories of financial instruments

Categories	Financial assets measured at amortized cost		Financial assets measured at fair value			Total
	Loans and receivables	Available for sale at cost	Available for sale at fair value	Financial assets measured at fair value through profit or loss		
				Derivatives (held for trading, hedge accounting)	Other	
Assets 03/31/2018						
Other financial assets – non-current	6.1	11.4	32.1		1.4	51.0
Trade and other receivables	1,743.6			29.4		1,773.0
Other financial assets – current					388.1	388.1
Cash and cash equivalents	705.8					705.8
Carrying amount (= fair value)	**2,455.5**	**11.4**	**32.1**	**29.4**	**389.5**	**2,917.9**

In millions of euros

The item "Other" in the category "Financial assets measured at fair value through profit or loss" contains securities measured using the fair value option. The carrying amount of the financial assets represents a reasonable approximation of the fair value.

Categories	Financial assets measured at AC	Hedge accounting	Financial assets measured at FVTPL	Total
Assets 03/31/2019				
Other financial assets – non-current	2.4		33.4	35.8
Trade and other receivables	1,582.0	12.4	160.9	1,755.3
Other financial assets – current			182.3	182.3
Cash and cash equivalents	485.9			485.9
Carrying amount	**2,070.3**	**12.4**	**376.6**	**2,459.3**

In millions of euros

	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 – derivatives (held for trading, hedge accounting)**		
	Carrying amount	**Fair value**	**Carrying amount (= fair value)**	**Carrying amount**	**Fair value**
Liabilities 03/31/2018					
Financial liabilities – non-current	2,783.6	2,804.6		2,783.6	2,804.6
Financial liabilities – current	1,315.6	1,324.4		1,315.6	1,324.4
Trade and other payables	2,633.8	2,633.8	22.2	2,656.0	2,656.0
Total	**6,733.0**	**6,762.8**	**22.2**	**6,755.2**	**6,785.0**

In millions of euros

Categories	Financial liabilities measured at AC		Hedge accounting	Financial liabilities measured at FVTPL		Total
	Carrying amount	Fair value	Carrying amount (= fair value)	Carrying amount (= fair value)	Carrying amount	Fair value
Liabilities 03/31/2019						
Financial liabilities – non-current	2,661.8	2,688.7			2,661.8	2,688.7
Financial liabilities – current	1,142.3	1,140.3			1,142.3	1,140.3
Trade and other payables	2,710.9	2,710.9	4.9	16.1	2,731.9	2,731.9
Total	**6,515.0**	**6,539.9**	**4.9**	**16.1**	**6,536.0**	**6,560.9**

In millions of euros

The financial liabilities measured at amortized cost, excluding bonds issued, fall under Level 2. Valuation is performed according to the discounted cash flow 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. Using the input parameters, the fair values are calculated by discounting estimated future cash flows at market interest rates.

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

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

The table below analyzes regular fair value measurements of financial assets and financial liabilities. These measurements are based on a fair value hierarchy that categorizes the inputs included in the valuation methods used to measure fair value into three levels. The three levels are defined as follows:

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

FAIR VALUE HIERARCHY LEVELS USED FOR RECURRING FAIR VALUE MEASUREMENTS

	Level 1	Level 2	Level 3	Total
03/31/2018				
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivatives (Held for trading, hedge accounting)		29.4		29.4
Fair value option (securities)	389.5			389.5
Available for sale at fair value			32.1	32.1
	389.5	**29.4**	**32.1**	**451.0**
Financial liabilities				
Financial liabilities measured at fair value through profit or loss – derivatives (held for trading, hedge accounting)		22.2		22.2
	0.0	**22.2**	**0.0**	**22.2**
03/31/2019				
Financial assets				
Other financial assets – non-current	1.3		32.1	33.4
Receivables from derivatives – hedge accounting		12.4		12.4
Trade and other receivables		17.6	143.3	160.9
Other financial assets – current	182.3			182.3
	183.6	**30.0**	**175.4**	**389.0**
Financial liabilities				
Liabilities from derivatives – hedge accounting		4.9		4.9
Trade and other payables		16.1		16.1
	0.0	**21.0**	**0.0**	**21.0**

In millions of euros

The derivative transactions (Level 2) are measured using the discounted cash flow method 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 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 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. There were no reclassifications in the business years 2017/18 or 2018/19.

The table below presents the reconciliation of Level 3 financial assets measured at fair value between the opening balance and the closing balance, as follows:

LEVEL 3 – FVTPL – OTHER FINANCIAL ASSETS – NON-CURRENT

	2017/18	2018/19
Opening balance	**32.1**	**32.1**
Total of gains/losses recognized in the income statement:		
Finance costs/Finance income	0.0	0.0
Closing balance	**32.1**	**32.1**

In millions of euros

Level 3 includes the investment in Energie AG Oberösterreich that is measured at fair value. The fair value of this entity can be reliably determined based on the valuation report that is prepared once a year for Energie AG Oberösterreich as a whole, taking into account all relevant information.

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

LEVEL 3 – FVTPL – TRADE RECEIVABLES (SALE BUSINESS MODEL)

	2018/19
Opening balance as of April 1	**144.1**
Disposals	–144.1
Additions	143.3
Closing balance as of March 31	**143.3**

In millions of euros

The receivables in this portfolio are sold monthly on a rolling basis as part of the Group's factoring programs. The measurement gains or losses allocable to this portfolio are of secondary significance.

The credit risk associated with a particular debtor is the most important factor in the fair value determination of the portfolio entitled, "Trade and other receivables held for factoring." Any increase/decrease by 1% in the established default rates thus would change the fair value of this portfolio at most in the same amount; as a rule, however, the fair value change is disproportionately low, because credit insurance has been purchased for significant portions of the portfolio.

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

	2017/18
Loans and receivables	17.6
Available for sale at cost	13.4
Held for trading (derivatives)	11.4
Available for sale at fair value	0.0
Other financial assets	8.1
Financial liabilities	–135.2

In millions of euros

In the business year 2017/18, net profit in the amount of EUR 10.3 million was recognized through profit or loss for financial instruments that are measured using the fair value option.

	2018/19
Financial assets at AC	4.5
Financial liabilities at AC	–114.8
Financial assets at FVTPL	11.4
Derivatives at FVTPL	–5.5

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 are as follows:

	2017/18	2018/19
Total interest income	10.4	11.2
Total interest expense	–135.2	–114.8

In millions of euros

The impairment loss on financial instruments measured at AC is EUR 13.4 million (2017/18: EUR 7.4 million), and the reversals of loss allowances are EUR 3.7 million (2017/18: EUR 8.2 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.

	2017/18	2018/19
Interest received	6.4	6.0
Interest paid	141.1	120.7
Taxes paid	123.5	232.2

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

	2017/18	2018/19
Depreciation, amortization, impairment / reversals	770.1	771.7
Result from the sale of assets	–14.2	–4.6
Changes in pensions and other employee obligations, non-current provisions, and deferred taxes	–25.4	124.8
Other non-cash income and expenses	66.1	–46.8
	796.6	**845.1**

In millions of euros

Cash flows from operating activities include dividend income of EUR 16.5 million (2017/18: EUR 15.5 million) from associates and joint ventures as well as other investments.

Cash flows from investing activities include inflows of cash and cash equivalents from acquisitions in the amount of EUR 6.5 million (2017/18: EUR 0.0 million) and outflows of acquisition costs in the amount of EUR 2.0 million (2017/18: EUR 6.8 million); for details, see chapter D. Acquisitions and other additions to the scope of consolidation.

Cash flows from financing activities include dividends for non-controlling interests in the amount of EUR 18.1 million (2017/18: EUR 12.9 million).

The cash flows and non-cash changes in financial liabilities are presented below:

	Balance as of April 1	Increase in non-current financial liabilities	Repayment of non-current financial liabilities	Repayment of non-current finance lease liabilities	
Financial liabilities 2017/18					
Non-current financial liabilities	2,743.2	758.1	–136.5	0.0	
Current financial liabilities	1,328.4	0.0	–649.3	0.0	
Non-current finance lease liabilities	21.5	0.0	0.0	–0.3	
Current finance lease liabilities	4.5	0.0	0.0	–3.9	
Total financial liabilities	**4,097.6**	**758.1**	**–785.8**	**–4.2**	
Financial liabilities 2018/19					
Non-current financial liabilities	2,775.0	789.2	–315.1	0.0	
Current financial liabilities	1,302.2	0.0	–855.5	0.0	
Non-current finance lease liabilities	8.6	0.0	0.0	–0.7	
Current finance lease liabilities	13.3	0.0	0.0	–6.8	
Total financial liabilities	**4,099.1**	**789.2**	**–1,170.6**	**–7.5**	

Repayments of non-current financial liabilities include EUR 855.5 million (2017/18: EUR 649.3 million), which were reclassified from initially non-current to current financial liabilities.

The additions to assets due to finance lease activities contain non-cash investments in the amount of EUR 0.4 million (2017/18: EUR 0.7 million).

	Cash flows				Non-cash changes	Balance as of March 31
	Change in current financial liabilities and other financial liabilities	Changes in the scope of Consolidated Financial Statements	Foreign exchange effects	Reclassi-fications	Other changes	
	0.7	0.0	–87.5	–502.1	–0.9	2,775.0
	138.6	0.5	–18.2	502.1	0.1	1,302.2
	–0.1	0.0	–0.1	–13.0	0.6	8.6
	–0.2	0.0	–0.2	13.0	0.1	13.3
	139.0	**0.5**	**–106.0**	**0.0**	**–0.1**	**4,099.1**
	–0.5	0.0	40.1	–636.1	1.8	2,654.4
	42.6	0.8	4.5	636.1	3.7	1,134.4
	0.5	0.0	0.0	–1.4	0.4	7.4
	0.0	0.0	0.0	1.4	0.0	7.9
	42.6	**0.8**	**44.6**	**0.0**	**5.9**	**3,804.1**

In millions of euros

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:

	2017/18		2018/19	
	With joint ventures	With associates and non-consolidated subsidiaries	With joint ventures	With associates and non-consolidated subsidiaries
Revenue	0.7	434.3	0.0	216.5
Cost of materials	4.0	136.4	4.4	146.1
Other operating income	0.7	5.1	0.6	4.1
Other operating expenses	0.0	5.7	0.0	4.0

	03/31/2018		03/31/2019	
Trade and other receivables	0.1	79.8	0.0	49.2
Financial liabilities/trade and other payables	0.2	39.0	0.0	47.8

In millions of euros

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

The first-time full consolidation of a subsidiary that had not been consolidated to date resulted in a decrease in both the revenue and the receivables to be disclosed in connection with related parties. In the business year 2017/18, revenue of EUR 181.1 million and trade receivables of EUR 25.2 million were included in the numbers shown for this entity.

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

	03/31/2018	03/31/2019
Cash and cash equivalents	63.1	13.1
Financial liabilities/trade and other payables	121.1	176.5
Guarantees received	1.4	2.2

In millions of euros

Interest expense of EUR 1.5 million (2017/18: EUR 1.2 million) was recognized in connection with the aforementioned financial liabilities as well as trade and other payables.

Under the first type of factoring agreement (see Note 28. Disclosures of transactions not recorded in the statement of financial position), receivables are sold to core shareholders at arm's length as of the business year 2018/19. As of March 31, 2019, these receivables were recognized at a total of EUR 218.1 million. Interest expense of EUR 0.5 million was recognized for the business year 2018/19 in this connection.

The non-inclusion of non-consolidated entities in the Consolidated Financial Statements has no material impact on the Group's net assets, financial position, and results of operations.

Management Board

The fixed compensation of the Management Board is determined by the General Committee of the Supervisory Board pursuant to Austrian legal requirements 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 targets regarding quantitative targets are achieved exactly, 60% of the maximum bonus applies; if the agreed targets regarding qualitative targets are achieved, 20% of the maximum bonus applies. Any overachievement of the targets is taken into consideration proportionately until the maximum bonus is reached. The quantitative targets are "earnings before interest and taxes" (EBIT) and "return on capital employed" (ROCE). Specific target amounts are determined periodically (in each case for a period of three years) by the General Committee of the Supervisory Board in consultation with the Management Board. They are computed independently of the respective budget and/or the medium-term business plan, i.e. budget compliance does not mean that a bonus is granted. The stipulated qualitative targets for the business year 2018/19 were, first, presentation of a report to the Supervisory Board regarding the "voestalpine 2030" long-term strategy and, second, presentation of the long-term personnel planning in both quantitative and qualitative terms.

The amount of the contractually promised company pension payable to the members of the Management Board, Dr. Eder, Mag. Dipl.-Ing. Ottel, and Dipl.-Ing. Eibensteiner, depends on the length of their service. The amount of the annual pension equals 1.2% of the most recent annual gross salary for each year of service. However, the pension benefit cannot exceed 40% of the most recent annual gross salary (excluding variable compensation). A defined contribution arrangement was put in place for the members of the Management Board, Dipl.-Ing. Rotter, Dipl.-Ing. Dr. Kainersdorfer, and Dipl.-Ing. Dr. Schwab, pursuant to which the company pays 15% of their annual gross salary (excluding bonuses) into the pension fund. The de facto defined benefit obligation recognized in the previous business year in the event of repeat appointments to the Management Board was reversed, because an additional payment on the defined contribution agreement was resolved in the business year 2018/19. The additional defined contribution payment shall be made in five annual instalments starting on March 31, 2020. The expense allocation begins the first time an individual is appointed to the Management Board.

Upon termination of their director's contracts, Management Board members are granted severance pay that is modeled on the approach set forth in the Austrian Employment Act *(Angestelltengesetz – AngG)*; the maximum allowable under the law may not be surpassed.

D&O insurance has been purchased for the members of the Management Board (as well as for the Group's executives) and for the members of the Supervisory Board at a cost of EUR 0.2 million (2017/18: EUR 0.2 million) that is borne by the company.

The compensation paid to the members of the Management Board of voestalpine AG is structured as follows for the business year 2018/19:

	Current compensation fixed	Current compensation variable	Total
Dr. Wolfgang Eder	1.20	2.19	3.39
Dipl.-Ing. Herbert Eibensteiner	0.87	1.09	1.96
Dipl.-Ing. Dr. Franz Kainersdorfer	0.87	1.09	1.96
Mag. Dipl.-Ing. Robert Ottel, MBA	0.87	1.16	2.03
Dipl.-Ing. Franz Rotter	0.87	1.09	1.96
Dipl.-Ing. Dr. Peter Schwab, MBA	0.87	1.14	2.01
2018/19	**5.55**	**7.76**	**13.31**
2017/18	5.10	10.31	15.41

In millions of euros

Long-service bonuses have been included in the variable compensation that was paid in the business year 2018/19 in connection with 40 and 25 years of service, respectively, as follows: Dr. Wolfgang Eder EUR 0.30 million, Mag. Dipl.-Ing. Robert Ottel EUR 0.07 million, and Dipl.-Ing. Dr. Peter Schwab EUR 0.05 million.

In addition to the compensation contained in the above table, the following service costs (personnel expenses) were recognized in the Consolidated Financial Statements for members of the Management Board with defined benefit pension agreements: Dr. Eder EUR 0.00 million (2017/18: EUR 0.00 million), Mag. Dipl.-Ing. Ottel EUR 0.32 million (2017/18: EUR 0.35 million), and Dipl.-Ing. Eibensteiner EUR 0.29 million (2017/18: EUR 0.31 million). Past service costs of EUR 0.85 million were recognized additionally for Mag. Dipl.-Ing. Ottel. In the business year 2018/19, expenses for ongoing pension fund contributions as well as expenses for the aforementioned additional defined contribution payment were recognized in the Consolidated Financial Statements as follows for the Management Board members with defined contribution pension agreements (net upon reversal of the de facto defined benefit provision set up in the previous business year): Dipl.-Ing. Rotter EUR 1.14 million (2017/18: EUR 0.49 million), Dipl.-Ing. Dr. Kainersdorfer EUR 0.37 million (2017/18: EUR 1.00 million), and Dipl.-Ing. Dr. Schwab EUR 1.15 million (2017/18: EUR 0.36 million). Pension payments in the amount of EUR 1.02 million (2017/18: EUR 1.00 million) were paid by the pension fund for former members of the Management Board with defined benefit pension agreements.

As of the reporting date, the outstanding balance of the variable compensation was EUR 5.87 million (2017/18: EUR 8.22 million). No advances or loans were granted to the members of the Management Board of voestalpine AG.

Directors' dealings notices of the members of the Management Board are published on the company's website (www.voestalpine.com » Investors » Corporate Governance).

Supervisory Board

Under Article 15 of the Articles of Incorporation, the shareholder representatives on the Supervisory Board of voestalpine AG are paid compensation of 0.1% of the profit after tax pursuant to the adopted Consolidated Financial Statements. The total amount is distributed as follows based on an allocation key: 100% for the Chairman, 75% for the Deputy Chairman, and 50% for each of the other members, with a minimum compensation of EUR 27,000 for the Chairman, EUR 20,000 for the Deputy Chairman, and EUR 13,000 for each of the other members of the Supervisory Board pursuant to the amendment of Article 15 of the Articles of Incorporation resolved by the Annual General Meeting 2016. The compensation of the Supervisory Board is limited to four times the stated amounts. The members of the Supervisory Board nominated by the Works Council do not receive any compensation. All members of the Supervisory Board are paid an attendance fee of EUR 500 per meeting. No separate compensation is paid for meetings of the committees of the Supervisory Board, but an attendance fee of EUR 500 per meeting is paid nonetheless.

According to this arrangement, the shareholder representatives on the Supervisory Board were paid the following compensation for the business year 2018/19: Dr. Joachim Lemppenau (Chairman): EUR 96,000 (2017/18: EUR 108,000); Dr. Heinrich Schaller (Deputy Chairman): EUR 72,000 (2017/18: EUR 80,000); Dipl.-Ing. Dr. Michael Schwarzkopf: EUR 16,000 (2017/18: EUR 52,000); all other shareholder representatives: EUR 48,000 each (2017/18: EUR 52,000 each).

The Articles of Incorporation have contained finalized rules as to the annual compensation of the members of the Supervisory Board and the method of calculating it since the Annual General Meeting 2006. As a result, the Annual General Meeting need not adopt a separate resolution every year.

The compensation of the Supervisory Board (including attendance fees) for the business year 2018/19 totaled EUR 0.50 million (2017/18: EUR 0.54 million). The compensation of the Supervisory Board for the business year 2018/19 will be paid at the latest 14 days after the Annual General Meeting on July 3, 2019. No advances or loans were granted to members of the Supervisory Board of voestalpine AG.

Directors' dealings notices of the members of the Supervisory Board 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 of Binder Grösswang Rechtsanwälte GmbH, of which the Supervisory Board member Dr. Michael Kutschera is a partner, provided legal services in the business year 2018/19 particularly in connection with real estate and corporate law as well as state aid law. 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 2018/19, total net fees of EUR 13,648.33 (2017/18: EUR 15,808.00) were incurred for services provided by Binder Grösswang Rechtsanwälte GmbH.

26. EMPLOYEE INFORMATION

TOTAL NUMBER OF EMPLOYEES

	Reporting date		Average	
	03/31/2018	03/31/2019	2017/18	2018/19
Waged employees	29,887	30,564	29,207	30,292
Salaried employees	17,716	18,228	17,458	18,088
Apprentices	1,301	1,310	1,403	1,403
	48,904	**50,102**	**48,068**	**49,783**

The personnel expenses included in these Consolidated Financial Statements are EUR 3,124.1 million (2017/18: EUR 3,000.0 million).

27. EXPENSES FOR THE GROUP AUDITOR

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

	2017/18	2018/19
Expenses for the audit of the Consolidated Financial Statements	0.26	0.26
Expenses for other certifications	1.19	1.09
Expenses for tax consulting services	0.00	0.00
Expenses for other services	0.06	0.26
	1.51	**1.61**

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.

Under the first type of factoring agreement, trade receivables totaling EUR 867.5 million (March 31, 2018: EUR 799.0 million) were sold to various banks. Receivables covered by credit insurance were assigned to banks in an amount corresponding to 100% of the nominal value, with the acquiring banks assuming the risk of default. Any claims arising under the credit insurance are assigned to the acquiring bank. The selling Group company only assumes liability for default up to—generally—10% of the retention level under the credit insurance. As of the reporting date, the maximum risk associated with the liability for default was EUR 86.8 million (March 31, 2018: EUR 79.9 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 0.3 million (March 31, 2018: EUR 0.3 million). The receivables are derecognized in full in accordance with the provisions of IFRS 9 due to the transfers of the material risks and opportunities as well as control to the acquiring party.

Under the second type of factoring agreement, uninsured trade receivables of EUR 162.5 million (March 31, 2018: EUR 163.6 million) were sold. The acquiring bank assumes 100% of the default risk. All of the receivables are fully derecognized. With the exception of the capitalized service fee mentioned below for the administration of the receivables, there is no ongoing commitment.

Under the third type of factoring agreement—introduced in October 2014—both insured and uninsured trade receivables of EUR 141.8 million (March 31, 2018: EUR 131.7 million) were sold. Any claims arising under the credit insurance were assigned to the acquiring bank. At the time the receivables were sold, loss reserves of 0.9% and dilution reserves of 1.6% (with reference to the sold receivables) were deducted from the purchase price. The dilution reserves totaling EUR 2.3 million (March 31, 2018: EUR 2.1 million) for receivables sold as of the reporting date concern claims to discounts, bonuses, etc. and are posted as other receivables. The carrying amount corresponds to the fair value. A loss reserve to cover any defaults in the amount of EUR 1.3 million (March 31, 2018: EUR 1.2 million) for receivables sold as of 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 derecognized in full in accordance with the provisions of IFRS 9 due to the transfer of the material risks and opportunities as well as control to the acquiring party.

Under the fourth type of factoring agreement, both insured and uninsured trade receivables of EUR 31.3 million (March 31, 2018: EUR 33.4 million) were sold. Any claims under the credit insurance were assigned to the acquiring bank. For bad debts, a "first loss reserve account" was funded in 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 (March 31, 2018: EUR 0.2 million) as of 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 of the first loss reserve account. Due to the transfer of the material risks and opportunities as well as control to the acquiring party, the receivables were derecognized in full in accordance with the provisions of IFRS 9.

Under 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 in other current financial liabilities.

The administration of receivables for all types of factoring contracts remains with the respective Group companies. For the receivables sold, as of March 31, 2019, a total service fee of 0.15% of the sold receivables of EUR 1.8 million (March 31, 2018: EUR 1.7 million) was recognized in other provisions. 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:

	2017/18	2018/19
Profit attributable to equity holders of the parent (in millions of euros)	**775.2**	**408.5**
Issued ordinary shares (average)	176,349,163	176,715,830
Effect of treasury shares held (average)	–28,597	–28,597
Weighted average number of outstanding ordinary shares	**176,320,566**	**176,687,233**
Diluted and basic (undiluted) earnings per share (euros)	**4.40**	**2.31**

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, 2019. They show net retained profits of EUR 197.0 million. The Management Board proposes a dividend of EUR 1.10 per share (2017/18: EUR 1.40).

Linz, May 28, 2019

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 German-language report, 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, 2019, 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, 2019, and its financial performance for the year then ended in accordance with IFRS as endorsed in the European Union and the additional requirements of Section 245a Companies Act.

BASIS FOR OPINION

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and 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, 2019, an amount of EUR 1,548.3 million (9.9% of total assets) is presented under the item "Goodwill" (previous year EUR 1,545.9 million, 10.0% of total assets). Goodwill is 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 method. The book value of 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. In the financial year 2018/19, no impairments of goodwill were reported (previous year: EUR 0.0 million).

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 on 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 9.9% (previous year 10.0%) 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 6,580.2 million (42.0% of total assets) is disclosed under the item "property, plant and equipment" (previous year EUR 6,282.1 million, 40.6% 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.

The determination whether triggering events exist is based on the assessment of external and internal information sources. Therefore (especially declined market capitalization) and 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 previous fiscal year (2017/18), the Metal Engineering Division had accounted for impairments of property, plant and equipment amounting to EUR 12.2 million and for impairments of intangible assets amounting to EUR 3.5 million in the cash generating unit dealing with the production of special wires (fine wires) which are due to negative sales development, the resulting adjustment of the strategic set-up and reduced profit expectations. Also in the previous fiscal year, the High Performance Metals Division had accounted for impairments of property, plant and equipment in the amount of EUR 10.1 million for the cash generating unit in Brazil which are due to the economic environment in Brazil, the imminent import duties on steel in the USA as well as the resulting uncertainties.

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 2018/19.

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, 2019, deferred tax assets on tax losses brought forward amounting to EUR 192.9 million (previous year: EUR 154.8 million) are recognized. Moreover, the group has unused tax losses amounting to EUR 507.6 million (previous year: EUR 303.3 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. Finally, we have audited the impact of changes in tax rates.

The Group's disclosures concerning deferred taxes are included in Sections B., G.8 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 the EU regulation and 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 the EU regulation and 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.

Additional information in accordance with article 10 of the EU regulation
We were elected as auditor by the annual shareholders' meeting on July 4, 2018. We were engaged by the Supervisory Board on December 18, 2018. We are auditors without cease since the company's initial public offering in October 1995.

We confirm that the audit opinion in the section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

We provided no further services, in addition to the statutory audit, to the audited company and its controlled undertakings, which have not been disclosed in the group's management report or in the consolidated financial statements.

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 28, 2019

Grant Thornton Unitreu GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Univ. Doz. Dr. Walter Platzer

This report is a translation of the original German-language report, 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 124 (1) AUSTRIAN STOCK EXCHANGE ACT 2018 *(BÖRSEGESETZ 2018 – BÖRSEG 2018)*

The Management Board of voestalpine AG confirms to the best of its knowledge that the Consolidated Financial Statements, which have been prepared in accordance with the applicable accounting standards, give a true and fair view of the Group's net assets, financial position, and results of operations; that the Group Management Report describes the Group's development, business performance, and position such that it gives a true and fair view of the Group's net assets, financial position, and results of operations; and that the Group Management Report describes the material risks and uncertainties to which the Group is exposed.

Linz, May 28, 2019

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 German-language report, which is solely valid.