Letter to Shareholders
1st – 3rd Quarter 2016/17

voestalpine Group Key Figures

Q 1 – Q 3 2015/16 vs. Q 1 – Q 3 2016/17

In millions of euros	**Q 1 – Q 3 2015/16** 04/01–12/31/2015	**Q 1 – Q 3 2016/17** 04/01–12/31/2016	Change in %
Revenue	8,380.4	8,101.2	–3.3
EBITDA	1,207.3	1,061.1	–12.1
EBITDA margin	14.4%	13.1%	
EBIT	727.0	545.0	–25.0
EBIT margin	8.7%	6.7%	
Profit before tax	628.5	461.4	–26.6
Profit after tax[1]	508.5	343.9	–32.4
EPS – Earnings per share (euros)	2.74	1.86	–32.1
Investments in tangible and intangible assets and interests	936.7	711.4	–24.1
Depreciation	480.3	516.0	7.4
Equity	5,605.6	5,797.5	3.4
Net financial debt	3,194.8	3,545.8	11.0
Net financial debt in % of equity (gearing)	57.0%	61.2%	
Employees (full-time equivalent)	47,900	48,765	1.8

[1] Before deduction of non-controlling interests and interest on hybrid capital.

Interim Management Report

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

Market environment

The long prevailing, moderate but stable growth trend in Europe, which was not slowed by last year's critical political developments (Brexit, unrest in Turkey, war in the Middle East, terror in Europe), continues to successfully resist negative political influences. Thus in the third quarter of the current business year 2016/17 Europe's economic development also continued on its modest but decidedly resilient path of growth. It continues to be predominantly driven by private consumption, although towards the close of the calendar year increasingly positive signals from industry also became discernible. Investment activity remains predominantly driven by upgrading measures and efficiency increases with still little investment in growth. However, the devaluation of the European joint currency and positive global growth signals justify cautious optimism as 2017 progresses. Public expenditure in Europe grew throughout the business year 2016/17, but have only had a limited impact on economic growth to date.

In this environment voestalpine benefited from an unabated, excellent level of demand from the automotive industry, and a stable and robust economic situation in the consumer goods sector. While the railway infrastructure sector still demonstrated excellent demand over long stretches of the current business year, it weakened during the third quarter, especially in Europe, which is partly the result of seasonally-related reductions in project activity during the winter months, as well as project deferrals by railway companies. Despite OPEC agreement to reduce oil production volumes and the slight rise in oil prices this generated, Europe's energy sector initially remained weak, with dynamism in the construction industry also staying subdued.

The most notable event on the North American continent during the third quarter of 2016/17 was the election of Donald Trump as President of the United States. Following Trump's unconventional and extremely direct statements and announcements on a range of issues during the election campaign, after his election the focus of public interest has increasingly shifted to his integration and economic policies which both share a pronounced protectionist stance.

Whereas the economic situation in the USA in 2016 was characterized by a certain volatility, although with overall satisfactory growth rates and low levels of unemployment which, in contrast to Europe, has already led to a first rise in interest rates, President Trump's announcements have most recently led to a significant rise in expectations with regard to economic development over the medium term. The extent to which the signaled protectionist measures will also result in a weakening in the economy still remains to be seen.

In any event, a return to more intensive exploration activities in the USA had already resulted in improved demand in the oil and gas industry during the most recent business quarter, which in turn directly led to an increase in incoming orders in the Seamless Tubes business segment (Metal Engineering Division). As in Europe, private consumption continued to be a key economic driver in the NAFTA region, with automotive demand consequently also remaining high. Over the course of the business year demand in the railway infrastructure segment slowed somewhat, not

Comparison of the quarterly and nine-month figures of the voestalpine Group

In millions of euros	Q 1 2016/17 04/01–06/30/2016	Q 2 2016/17 07/01–09/30/2016	Q 3 2016/17 10/01–12/31/2016	Q 1–Q 3 2016/17 04/01–12/31/2016	Q 1–Q 3 2015/16 04/01–12/31/2015	Change in %
Revenue	2,772.4	2,635.4	2,693.4	8,101.2	8,380.4	–3.3
EBITDA	333.9	371.0	356.2	1,061.1	1,207.3	–12.1
EBITDA margin	12.0%	14.1%	13.2%	13.1%	14.4%	
EBIT	167.6	201.3	176.1	545.0	727.0	–25.0
EBIT margin	6.0%	7.6%	6.5%	6.7%	8.7%	
Profit before tax	138.9	172.5	150.0	461.4	628.5	–26.6
Profit after tax[1]	105.8	127.9	110.2	343.9	508.5	–32.4
Employees (full-time equivalent)	48,319	48,786	48,765	48,765	47,900	1.8

[1] Before deduction of non-controlling interests and interest on hybrid capital.

Comparison of the quarterly and nine-month figures of the voestalpine Group, adjusted

In millions of euros	Q 1 2016/17 04/01–06/30/2016	Q 2 2016/17 07/01–09/30/2016	Q 3 2016/17 10/01–12/31/2016	Q 1–Q 3 2016/17 04/01–12/31/2016	Q 1–Q 3 2015/16 04/01–12/31/2015	Change in %
Revenue	2,772.4	2,635.4	2,693.4	8,101.2	8,380.4	–3.3
EBITDA	333.9	371.0	356.2	1,061.1	1,069.7	–0.8
EBITDA margin	12.0%	14.1%	13.2%	13.1%	12.8%	
EBIT	171.5	204.9	179.7	556.1	608.0	–8.5
EBIT margin	6.2%	7.8%	6.7%	6.9%	7.3%	
Profit before tax	142.8	176.1	153.5	472.4	509.4	–7.3
Profit after tax[1]	108.7	130.6	112.9	352.2	382.7	–8.0
Employees (full-time equivalent)	48,319	48,786	48,765	48,765	47,900	1.8

[1] Before deduction of non-controlling interests and interest on hybrid capital.

least as a collateral effect of weakness in the oil and gas sector. However, it has stabilized in the meantime. After the boom years of the past, growth in the aerospace industry slowed a little over the business year, but performance in the sector continues to remain stable at a positive level.

China was also able to retain its largely stable growth momentum during the past quarter. This was driven by continued growth in private consumption, and particularly by the recently launched investment program for the infrastructure, construction and real estate sectors. In China the voestalpine Group is actively manufacturing products for the consumer goods, automotive components and railway equipment sectors, all industries which have enjoyed an excellent level of performance for a long time now.

After the change of political leadership in Brazil, general sentiment in the country has improved somewhat, although the country has not yet succeeded in moving out of recession. The ongoing weakness in the Brazilian economy, leading to insufficient demand across almost all economic sectors, has also impacted voestalpine sites in Brazil; these have responded with rigorous cost-cutting programs and efficiency-raising measures. Easing in the global raw materials markets over the past months has recently led to an initial revival of demand in the railway infrastructure sector (as one of the world's largest producers of iron ore, Brazil supports a large rail infrastructure) which is possibly a first sign of a turnaround.

Financial key performance indicators of the voestalpine Group

The slight decline in the financial key performance indicators in the first three quarters of 2016/17 compared to the first nine months of the previous year is primarily due to the investment slump in the oil and gas sector over the course of the 2016 calendar year. Against this backdrop, the revenue in the first three quarters of 2016/17 fell by 3.3% from EUR 8,380.4 million to EUR 8,101.2 million compared to the previous year. In relative terms, the Steel and Metal Engineering Divisions, which are the divisions most heavily exposed to the energy segment in the voestalpine Group, had to absorb the highest revenue losses while the Metal Forming Division was able to increase its revenues, mainly due to its international expansion strategy in the automotive sector. This situation is reflected in the company's result. While the operating result (EBITDA) and profit from operations (EBIT) benefited from the non-recurring consolidation changes in the Metal Engineering Division last year, the adjusted earnings from the division–meaning without these effects of consolidation–dropped considerably in the year-on-year comparison due to the weak energy sector. Although the remaining three divisions showed growth in the EBITDA, the adjusted EBITDA of the voestalpine Group fell in the year-on-year comparison—albeit marginally—by 0.8% from EUR 1,069.7 million in the first three quarters of 2015/16 to EUR 1,061.1 million in the first nine months of the current business year. In contrast, based on the reported figures, the EBITDA dropped by 12.1% from EUR 1,207.3 million to EUR 1,061.1 million due to the above-mentioned positive non-recurring effects of the previous year. In the current business year, the start-up losses recorded by the direct reduction plant in Texas, USA, as well as the reduced performance of blast furnace 5 in the Steel Division impacted the operating result in the first quarter of 2016/17 as a result of fine-tuning the coal injection system. Even more marked was the decline in profit from operations (EBIT) as a result of the depreciation basis increase, especially due to finalizing major investment projects in the Steel Division. Adjusted for non-recurring effects, EBIT dropped by 8.5% from EUR 608.0 million to EUR 556.1 million in a year-on-year comparison. EBIT published in accordance with IFRS—including all non-recurring effects—plunged by 25.0% from EUR 727.0 million to EUR 545.0 million.

The increase in net working capital during the course of the current business year, which resulted primarily from the considerable rise in raw material prices, was the primary reason for the increase in net financial debt from EUR 3,194.8 million posted on reporting date December 31, 2015 to EUR 3,545.8 million posted on reporting date December 31, 2016, and therefore also for the rise in the gearing ratio from 57.0% to 61.2% during the same period.

Net financial debt can be broken down as follows:

Net financial debt

	12/31/2015	12/31/2016
Financial liabilites non-current	3,237.5	3,258.0
Financial liabilites current	812.0	1,053.5
Cash and cash equivalents	–430.4	–370.4
Other financial assets	–398.4	–365.0
Loans and other receivables from financing	–25.9	–30.3
Net financial debt	**3,194.8**	**3,545.8**

Investments

On October 26, 2016, the Steel Division opened the world's largest and most modern direct reduction plant in Corpus Christi, Texas. The start-up phase has so far proceeded as planned (capacity utilization during start-up phase to date: 63%) and should transition to normal operation in the fourth quarter of the 2016/17 business year. The major repairs scheduled for blast furnace 6 at the Linz, Austria, site were able to be successfully completed on November 21, in fact, earlier than originally planned. With the "toughcore" plant developed in-house to manufacture heavy plate with completely new product properties and the continuous casting facility 8 currently under construction (start-up of operations is scheduled for fall 2017), both at the Linz site, technological expansion in the Steel Division is being consistently driven forward.
The Special Steel Division concentrated its investment activities on the accelerated expansion of its global service and sales network as well as the further development of coating technology. With the opening of a center for additive manufacturing of components (3D printing) in Düsseldorf, Germany, the division has taken yet another step for the advancement of future-oriented technologies. The Metal Engineering Division focused on starting up the new wire rolling mill in Donawitz, Austria, which began operations at the beginning of the business year. The customers' required registration processes were successfully completed in the course of the year. With the start-up of the plant for direct hot forming galvanized steel ("phs directform®") at the location in Schwäbisch Gmünd, Germany, a technological leap into the future was made in the Metal Forming Division in the second quarter of the business year. Aside from this, the global implementation of key technologies for automotive components was further advanced. With the start-up of the second plant for the production of laser-welded blanks, Linz has become a global leader in this technology segment.
In total, investments made by the voestalpine Group declined by 24.1% from EUR 936.7 million in the first three quarters of 2015/16 to EUR 711.4 million in the current reporting period. Of that amount, the Steel Division accounted for EUR 334.3 million, the Special Steel Division accounted for EUR 91.8 million, the Metal Engineering Division for EUR 137.0 million and, lastly, the Metal Forming Division accounted for EUR 142.8 million.

Steel Division

In millions of euros	Q 1 2016/17 04/01– 06/30/2016	Q 2 2016/17 07/01– 09/30/2016	Q 3 2016/17 10/01– 12/31/2016	Q 1–Q 3 2016/17 04/01– 12/31/2016	Q 1–Q 3 2015/16 04/01– 12/31/2015	Change in %
Revenue	909.0	867.1	927.8	2,703.9	2,835.1	–4.6
EBITDA	87.2	143.6	138.1	368.9	359.8	2.5
EBITDA margin	9.6%	16.6%	14.9%	13.6%	12.7%	
EBIT	21.1	76.0	58.7	155.8	174.1	–10.5
EBIT margin	2.3%	8.8%	6.3%	5.8%	6.1%	
Employees (full-time equivalent)	10,869	10,928	10,869	10,869	10,858	0.1

Market environment and business development

The anti-dumping actions introduced by the European Commission to protect the European steel industry from cheap imports for cold-rolled steel strip from China and Russia as well as hot-rolled steel strip and heavy plate sheets from China proved effective throughout the 2016 calendar year. Overall, though higher imports for flat steel were recorded in 2016, imports from China and Russia declined considerably during this period. Because the mood in the most important steel-working industries increasingly brightened during the course of the year—despite Britain's vote to leave the European Union—steel production held steady at last year's level during the second half of 2016 while starting off the year a bit subdued. However, prices for the most important raw materials in steel production increasingly displayed a rising trend in the summer of 2016. This was true particularly for coking coal whose price rose dramatically in the second half of the year due to a supply shortage. Closely following this development, the price for iron ore also rose moderately. As a result of rising raw material prices and solid demand, steel prices on the spot market skyrocketed toward the end of the 2016 calendar year, with contract prices following suit after their typical delay.

Against this backdrop, demand from the Steel Division's most important customer segments reached an overall healthy level in the first three quarters of 2016/17. The number of incoming orders from the automotive industry remained robust. The economic environment in the white goods and consumer goods industries, as well as the mechanical engineering sector, also remained satisfactory, while demand in the construction industry has even improved slightly. In addition to work on the Nord Stream II pipeline project which runs to the end of the business year 2017/18, most recently the Heavy Plate business segment once again experienced a surge in requests from the energy sector.

Financial key performance indicators

The revenue generated by the Steel Division in the first three quarters of 2016/17 fell in a year-on-year comparison by 4.6%, dropping from EUR 2,835.1 million to EUR 2,703.9 million. The main reasons for this loss in revenue include lower prices due to falling deployment costs for raw materials, and a shift in the product mix within the Heavy Plate business segment, where the revenue from last year still included the delivery of a highly sophisticated major order. Overall, in a twelve-month comparison, the delivery volumes went up by roughly 5% due to generally strong demand.

With respect to earnings, the operating result (EBITDA) generated by the Steel Division in the first three quarters of 2016/17 improved by 2.5% over the same period in the previous year, rising from EUR 359.8 million (margin 12.7%) to EUR 368.9 million (margin 13.6%). This is remarkable in so far as several non-recurring effects were in play during the past nine months of the current business year that affected the EBITDA. These included the start-up losses recorded by the direct reduction plant in Texas and the performance loss resulting from the extensive renovation of blast furnace 5 in business year 2015/16 (fine-tuning adjustments to the coal injection system). These factors adversely affected the division's operating result. In addition, performance in the energy segment (heavy plate) was down considerably compared to the previous year due to the weak oil and gas sector. In the last quarter, and against this backdrop, financial provisions were introduced—due to the sky-rocketing prices for coking coal since summer 2016—for a major project (Nord Stream II) whose price was set in the previous year and which will be ongoing until the end of the business year 2017/18. The EBITDA improved despite these negative non-recurring effects due to the outstanding sales figures and a continuous focus on improving efficiency and streamlining costs across the entire value chain.

In contrast to the operating result, the profit from operations (EBIT) of EUR 155.8 million (margin 5.8%) recorded in the first three quarters of 2016/17 fell 10.5% below last year's figure of EUR 174.1 million (margin 6.1%). This can be explained by the depreciation basis that rose by EUR 27.4 million as a result of finalizing major investment projects (renovation of blast furnace 5 and the new vacuum plant at the Linz location, and the HBI plant in Texas) in the past quarters.

The number of employees (FTE) in the Steel Division was 10,869 at the end of December 2016, and therefore almost identical to last year's figure of 10,858.

Special Steel Division

In millions of euros				Q 1–Q 3		
	Q 1 2016/17 04/01–06/30/2016	Q 2 2016/17 07/01–09/30/2016	Q 3 2016/17 10/01–12/31/2016	2016/17 04/01–12/31/2016	2015/16 04/01–12/31/2015	Change in %
Revenue	667.1	638.9	643.5	1,949.5	1,984.8	–1.8
EBITDA	99.2	94.3	91.0	284.5	259.9	9.5
EBITDA margin	14.9%	14.8%	14.1%	14.6%	13.1%	
EBIT	63.4	58.2	56.9	178.5	158.2	12.8
EBIT margin	9.5%	9.1%	8.8%	9.2%	8.0%	
Employees (full-time equivalent)	13,507	13,573	13,587	13,587	13,301	2.2

Market environment and business development

The economic environment for the Special Steel Division improved moderately in the first three quarters of 2016/17 compared to the previous year. The aerospace industry has maintained its dynamic momentum despite selective postponements in incoming orders. An initial uptick in orders in the oil and gas industry indicates that this sector has bottomed out. Positive sentiment in the automotive and consumer goods industry is yet another reason for the improved global demand for tool steel. Conversely, in the special steel sector demand from the European mechanical engineering sector remained slack due to continued weakness in its important export markets of China and Russia.

Viewed regionally, performance in Europe continued to be rather subdued. In the USA, the oil and gas sector showed the first signs of recovery since late summer 2016. The automotive industry in Mexico is currently experiencing a strong growth trajectory even if longer-term performance is increasingly uncertain due to policy changes in the USA. Despite a certain political consolidation, the economic climate in Brazil has not yet perceptibly improved. Investment activities in the oil and gas industry in particular remain at an extremely low level. In contrast, positive momentum in the tool steel sector was driven by Asia, largely China, primarily due to solid performance in the automotive and consumer goods industries.

Financial key performance indicators

At EUR 1,949.5 million, revenue in the Special Steel Division for the first three quarters of 2016/17 was 1.8% below last year's figure of EUR 1,984.8 million for the same period. While sales prices in the current business year lagged behind those for the same period in the previous year, the delivery volumes grew in a year-on-year comparison. The improved earnings can therefore be traced back to both an increase in the production and sales figures as well as efficiency-raising measures. The operating result (EBITDA) therefore rose in the first three quarters of 2016/17 by 9.5%, from EUR 259.9 million (margin 13.1%) to EUR 284.5 million (margin 14.6%), compared to the same period in the previous year. Profit from operations (EBIT) rose by 12.8% from EUR 158.2 million to EUR 178.5 million and, as a result, the EBIT margin rose from 8.0% to 9.2%.

The number of employees (FTE) in the Special Steel Division as of the end of the third quarter of 2016/17 was 13,587, which is 2.2% above the comparative figure for the previous year (13,301). This increase is primarily the result of having acquired Sermetal and Advanced Tooling Tek (ATT).

Metal Engineering Division

In millions of euros				Q 1 – Q 3		
	Q 1 2016/17 04/01–06/30/2016	Q 2 2016/17 07/01–09/30/2016	Q 3 2016/17 10/01–12/31/2016	2016/17 04/01–12/31/2016	2015/16 04/01–12/31/2015	Change in %
Revenue	680.4	652.1	662.4	1,994.9	2,213.0	–9.9
EBITDA	87.6	84.4	82.6	254.6	426.5	–40.3
EBITDA margin	12.9%	12.9%	12.5%	12.8%	19.3%	
EBIT	49.7	45.8	44.5	140.0	310.4	–54.9
EBIT margin	7.3%	7.0%	6.7%	7.0%	14.0%	
Employees (full-time equivalent)	12,606	12,709	12,822	12,822	12,652	1.3

Metal Engineering Division, adjusted

In millions of euros				Q 1 – Q 3		
	Q 1 2016/17 04/01–06/30/2016	Q 2 2016/17 07/01–09/30/2016	Q 3 2016/17 10/01–12/31/2016	2016/17 04/01–12/31/2016	2015/16 04/01–12/31/2015	Change in %
Revenue	680.4	652.1	662.4	1,994.9	2,213.0	–9.9
EBITDA	87.6	84.4	82.6	254.6	300.0	–15.1
EBITDA margin	12.9%	12.9%	12.5%	12.8%	13.6%	
EBIT	53.6	49.4	48.0	151.0	202.5	–25.4
EBIT margin	7.9%	7.6%	7.2%	7.6%	9.2%	
Employees (full-time equivalent)	12,606	12,709	12,822	12,822	12,652	1.3

Market environment and business development

After a phase of regressive development over the past business year caused by extreme market weakness in the oil and gas sector, the Metal Engineering Division has succeeded in stabilizing earnings over the current business year.

Having profited from an excellent general level of demand over several years, over the past quarters the Rail Technology business segment has recorded a significant fall in demand, particularly in those Gulf States financed by oil, as well as in the heavy haul segment with a focus on mining. In the Turnout Systems business segment investment activity in the heavy haul sector also remained cautious during the business year to date, although rising raw materials prices in both business segments during the first half of the 2017 calendar year are predicted to herald at least a slight recovery. In contrast, demand in the light rail traffic segment in the USA, and for high-speed projects in China, remains at a very positive level. Over the current business year the Wire Technology business segment has demonstrated solid development based on continued robust demand from the automotive industry. Furthermore, recently a slight market upturn was also perceptible in the oil and gas sector. An increase in incoming orders from the oil & gas sector at a price level which still remains low also determined the performance of the Seamless Tubes business segment during the third quarter of 2016/17. The improved orders situation, together with a brightening of the general mood, is due in particular to innovations designed to increase productivity in oil and gas exploration. In contrast, market dynamics in the Welding Consumables business segment remain restrained; the business segment has countered this trend with a comprehensive program of restructuring which has already led to an improvement in operative results for the current reporting period.

Financial key performance indicators

Declining revenue and earnings in the Metal Engineering Division during the first three quarters of 2016/17 compared to the previous business year is primarily due to the economic downturn in the oil and gas sector, but also to a weakening in the railway systems customer segment. However, over the course of the current business year the Division has succeeded in stabilizing its key indicators. Against this backdrop, in a twelve-month comparison revenue has declined by 9.9%, from EUR 2,213 million in the first three quarters of 2015/16 to EUR 1,994.9 million in the current reporting period. Earnings figures during the same period in the previous year contained non-recurring effects due to the acquisition of the controlling interest in the companies voestalpine Tubulars GmbH & Co KG, voestalpine Tubulars GmbH (both belonging to the Seamless Tubes business segment), and CNTT Chinese New Turnout Technologies Co., Ltd. (Turnout Systems business segment), amounting to EUR 126.5 million recorded in EBITDA and EUR 107.9 million recorded in EBIT. The depreciation of disclosed hidden reserves resulting from reassessments also included in the non-recurring effects of the previous year reduced EBIT in the first three quarters of 2016/17 by a total of EUR 11 million. Adjusted for these non-recurring effects, year-on-year the operating result (EBITDA) declined by 15.1%, from EUR 300.0 million to EUR 254.6 million, and with it the EBITDA margin from 13.6% to 12.8%. During the first three quarters of 2016/17 the adjusted profit from operations (EBIT) fell from EUR 202.5 million (margin 9.2%) to EUR 151.0 million (margin 7.6%), down a total of 25.4% from the previous year's figure.

As of December 31, 2016, the Metal Engineering Division had 12,822 employees (FTE), an increase of 1.3% compared to the same reporting date in the past business year (12,652 FTE).

Metal Forming Division

In millions of euros	Q 1 2016/17 04/01–06/30/2016	Q 2 2016/17 07/01–09/30/2016	Q 3 2016/17 10/01–12/31/2016	Q1–Q3 2016/17 04/01–12/31/2016	Q1–Q3 2015/16 04/01–12/31/2015	Change in %
Revenue	615.8	572.2	566.0	1,754.0	1,649.8	6.3
EBITDA	80.0	73.4	69.9	223.3	205.5	8.7
EBITDA margin	13.0%	12.8%	12.3%	12.7%	12.5%	
EBIT	55.2	48.1	43.6	146.9	134.4	9.3
EBIT margin	9.0%	8.4%	7.7%	8.4%	8.1%	
Employees (full-time equivalent)	10,481	10,724	10,650	10,650	10,212	4.3

Market environment and business development

The market environment for the Metal Forming Division for the first three quarters of the business year 2016/17 was thoroughly satisfactory across all the four business segments. The Automotive Components business segment in particular profited from a continuation of the enhanced upwards trend in the small and compact car segment in Europe. This is in addition to the continued strength in the premium segment, parts of which even demonstrated growing demand, namely in Europe and the Far East, while US sales were stable. With the development of a site in Aguascalientes, Mexico, expansion in the Automotive Components business segment in the NAFTA region continues.

The economic environment in the Tubes & Sections business segment during the business year 2016/17 to date has been characterized by comparatively subdued growth. With the exception of Great Britain, the European market recorded only moderate demand, and the conditions in the USA were also characterized by a strong fluctuation in incoming orders. In contrast, sentiment improved slightly in Brazil and China.

During the first three quarters of 2016/17 the Precision Strip business segment was able to further develop its strong competitive position, and to successfully hold its ground against competitors from outside Europe, especially in its home markets. Furthermore, it profited from generally solid market conditions in Europe and North America. Although the project landscape remains attractive, the Warehouse & Rack Solutions business segment was characterized by increasing pressure on prices so that high bay warehousing came in just slightly below the excellent level of the previous year.

Financial key performance indicators

The very good operative performance of the Metal Forming Division is also mirrored in the development of the key indicators. In a year-on-year comparison, revenue has risen by 6.3%, from EUR 1,649.8 million in the first three quarters of 2015/16 to EUR 1,754 million in the current business year. Profit contributions from plants going operational in the business year 2016/17, the result of international expansions in the Automotive Components business segment, together with the excellent development of Precision Strip, caused the operating result (EBITDA) to rise by 8.7%, from EUR 205.5 million to EUR 223.3 million, and EBIT by 9.3%, from EUR 134.4 million to EUR 146.9 million. As a result, compared to the values of the previous year, the EBITDA margin improved, from 12.5% to 12.7%, as did the EBIT margin, from 8.1% to 8.4%.

As of the end of the third quarter of 2016/17, the number of employees (FTE) in the Metal Forming Division was 10,650 or 4.3% higher than last year's figure in the same period (10,212). This rise is primarily due to the new Automotive Components plants which were established within the framework of the internationalization strategy.

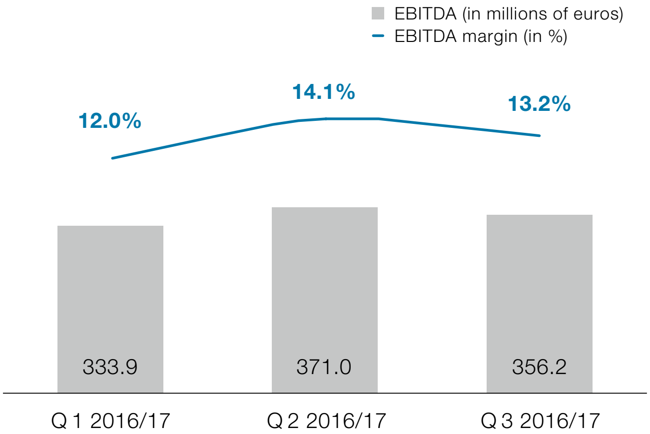
Outlook

The voestalpine AG operating result (EBITDA) and profit from operations (EBIT) during the third quarter of the current business year were slightly below the expectations we had in fall 2016, primarily due to the negative short-term effects of developments in raw materials prices towards the end of the year, and a slower recovery of prices in the oil and gas sector.

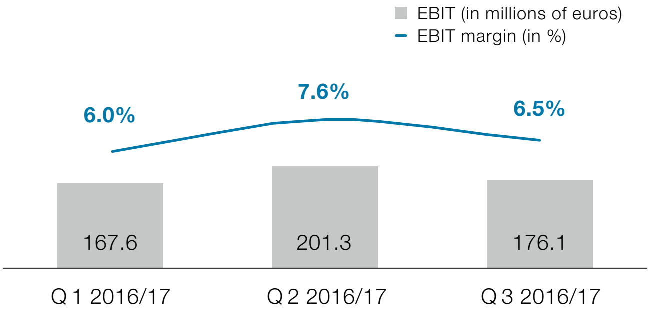
For the fourth quarter of the business year we expect a significant growth in earnings compared to the third quarter, as a result of stabilizing raw materials prices (at least temporarily), as well as slow but continual improvements in the oil and gas sector, and increased steel contract prices becoming effective at the beginning of 2017.

In view of the above, the outlook for the business year 2016/17 as a whole continues to remain in line with the expectations expressed at the end of the first half of the business year 2016/17 (September 30, 2016): The goal is still an (adjusted) operating result (EBITDA) at the level of the previous year (EUR 1.45 billion), and an (adjusted) profit from operations (EBIT) close to the level of the past business year (EUR 814 million).

EBITDA – Quarterly performance of the voestalpine Group



EBIT – Quarterly performance of the voestalpine Group



voestalpine AG
Condensed interim consolidated financial statements as of 12/31/2016

In accordance with International Financial Reporting Standards (IFRS).
This report is a translation of the original report in German, which is solely valid.

Consolidated statement of financial position

Assets

	03/31/2016	12/31/2016
A. Non-current assets		
Property, plant and equipment	6,006.5	6,289.9
Goodwill	1,544.4	1,552.6
Other intangible assets	414.1	422.8
Investments in entities consolidated according to the equity method	112.4	106.3
Other financial assets	69.8	72.2
Deferred tax assets	242.4	227.1
	8,389.6	**8,670.9**
B. Current assets		
Inventories	2,973.1	3,291.5
Trade and other receivables	1,513.3	1,579.4
Other financial assets	355.8	365.0
Cash and cash equivalents	774.8	370.4
	5,617.0	**5,606.3**
Total assets	**14,006.6**	**14,277.2**

In millions of euros

Equity and liabilities

	03/31/2016	12/31/2016
A. Equity		
Share capital	317.8	317.8
Capital reserves	553.7	552.0
Hybrid capital	497.9	497.9
Retained earnings and other reserves	4,102.0	4,266.1
Equity attributable to equity holders of the parent	**5,471.4**	**5,633.8**
Non-controlling interests	180.2	163.7
	5,651.6	**5,797.5**
B. Non-current liabilities		
Pensions and other employee obligations	1,229.1	1,259.7
Provisions	71.6	70.0
Deferred tax liabilities	122.0	121.1
Financial liabilities	3,342.8	3,258.0
	4,765.5	**4,708.8**
C. Current liabilities		
Provisions	567.2	559.4
Tax liabilities	98.3	64.3
Financial liabilities	898.2	1,053.5
Trade and other payables	2,025.8	2,093.7
	3,589.5	**3,770.9**
Total equity and liabilities	**14,006.6**	**14,277.2**

In millions of euros

Consolidated statement of cash flows

	04/01–12/31/2015	04/01–12/31/2016
Operating activities		
Profit after tax	508.5	343.9
Non-cash expenses and income	345.0	519.5
Changes in working capital		
Change in inventories	–43.4	–271.1
Change in receivables and liabilities	–15.6	54.2
Change in provisions	43.2	–47.2
	–15.8	**–264.1**
Cash flows from operating activities	**837.7**	**599.3**
Investing activities		
Additions of other intangible assets, property, plant and equipment	–986.9	–779.6
Income from disposals of assets	11.0	10.3
Cash flows from the acquisition of control of subsidiaries	19.6	–27.2
Cash flows from the loss of control of subsidiaries	0.1	2.0
Additions/divestments of other financial assets	9.1	–1.8
Cash flows from investing activities	**–947.1**	**–796.3**
Financing activities		
Dividends paid	–204.8	–213.7
Dividends paid non-controlling interests	–43.8	–16.2
Acquisition of non-controlling interests	–2.3	–3.7
Capital increase	85.3	–
Increase in long-term financial liabilities	419.6	483.5
Repayment of long-term financial liabilities	–138.4	–607.6
Repayment of long-term finance lease liabilities	–9.9	–3.9
Change in current financial liabilities and other financial liabilities	–28.7	148.4
Cash flows from financing activities	**77.0**	**–213.2**
Net decrease/increase in cash and cash equivalents	**–32.4**	**–410.2**
Cash and cash equivalents, beginning of reporting period	464.5	774.8
Net exchange differences	–1.7	5.8
Cash and cash equivalents, end of reporting period	**430.4**	**370.4**

In millions of euros

Consolidated statement of comprehensive income

Consolidated income statement

	04/01–12/31/2015	04/01–12/31/2016	10/01–12/31/2015	10/01–12/31/2016
Revenue	**8,380.4**	**8,101.2**	**2,593.7**	**2,693.4**
Cost of sales	–6,547.2	–6,330.1	–2,033.6	–2,105.0
Gross profit	**1,833.2**	**1,771.1**	**560.1**	**588.4**
Other operating income	261.2	261.1	94.7	118.3
Distribution costs	–768.3	–796.0	–253.7	–269.1
Administrative expenses	–462.4	–449.3	–153.4	–155.6
Other operating expenses	–290.9	–253.2	–97.6	–108.1
Share of profit of entities consolidated according to the equity method	154.2	11.3	1.8	2.2
EBIT	**727.0**	**545.0**	**151.9**	**176.1**
Finance income	21.7	35.6	6.4	10.2
Finance costs	–120.2	–119.2	–34.4	–36.3
Profit before tax	**628.5**	**461.4**	**123.9**	**150.0**
Tax expense	–120.0	–117.5	–36.2	–39.8
Profit after tax	**508.5**	**343.9**	**87.7**	**110.2**
Attributable to:				
Owners of the parent	479.9	325.8	78.7	101.2
Non-controlling interests	11.7	1.2	3.4	3.4
Share planned for hybrid capital owners	16.9	16.9	5.6	5.6
Basic and diluted earnings per share (euros)	**2.74**	**1.86**	**0.45**	**0.58**

In millions of euros

Consolidated statement of comprehensive income

Consolidated other comprehensive income

	04/01–12/31/2015	04/01–12/31/2016	10/01–12/31/2015	10/01–12/31/2016
Profit after tax	**508.5**	**343.9**	**87.7**	**110.2**
Items of other comprehensive income that will be reclassified subsequently to profit or loss				
Cash flow hedges	–17.8	8.9	1.6	4.6
Net investment hedges	–10.4	–	–2.8	–
Currency translation	–70.9	56.4	23.7	38.7
Share of result of entities consolidated according to the equity method	0.1	0.4	3.8	0.6
Subtotal of items of other comprehensive income that will be reclassified subsequently to profit or loss	**–99.0**	**65.7**	**26.3**	**43.9**
Items of other comprehensive income that will not be reclassified subsequently to profit or loss				
Actuarial gains/losses	62.7	–33.4	2.8	62.5
Actuarial gains/losses of entities consolidated according to the equity method	–1.2	–	–1.2	–
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	**61.5**	**–33.4**	**1.6**	**62.5**
Other comprehensive income for the period, net of income tax	**–37.5**	**32.3**	**27.9**	**106.4**
Total comprehensive income for the period	**471.0**	**376.2**	**115.6**	**216.6**
Attributable to:				
Owners of the parent	447.3	357.4	106.9	206.4
Non-controlling interests	6.8	1.9	3.1	4.6
Share planned for hybrid capital owners	16.9	16.9	5.6	5.6
Total comprehensive income for the period	**471.0**	**376.2**	**115.6**	**216.6**

In millions of euros

Consolidated statement of changes in equity

	Q 1 – Q 3 2015/16			Q 1 – Q 3 2016/17		
	Group	**Non-controlling interests**	**Total**	**Group**	**Non-controlling interests**	**Total**
Equity as of April 1	**5,050.6**	**64.4**	**5,115.0**	**5,471.4**	**180.2**	**5,651.6**
Total comprehensive income for the period	464.2	6.8	471.0	374.3	1.9	376.2
Dividends to shareholders	–174.8	–45.2	–220.0	–183.7	–17.4	–201.1
Dividends to hybrid capital owners	–30.0	–	–30.0	–30.0	–	–30.0
Tax effect on transactions with hybrid capital owners	5.6	–	5.6	5.6	–	5.6
Capital increase	85.3	–	85.3	–	–	–
Share-based payment	–1.0	–	–1.0	–1.7	–	–1.7
Other changes	4.1	175.6	179.7	–2.1	–1.0	–3.1
Equity as of December 31	**5,404.0**	**201.6**	**5,605.6**	**5,633.8**	**163.7**	**5,797.5**

In millions of euros

voestalpine AG

Selected explanatory notes

voestalpine AG has adjusted the scope of quarterly reports on the first three and nine months of the business year due to the changed requirements of the "Rules prime market" of Wiener Börse AG (Vienna Stock Exchange). Adjustments particularly relate to the notes, as required by IAS 34. The accounting policies are principally unchanged from the annual consolidated financial statements for the business year 2015/16.

Changes in the scope of consolidated financial statements

The changes made in the scope of consolidated financial statements during the first three quarters of the business year 2016/17 were as follows:

	Full consolidation	Equity method
As of April 1, 2016	**278**	**9**
Acquisitions	1	
Change in consolidation method		
Additions	7	
Disposals		
Reorganizations	–6	
Divestments or disposals	–2	
As of December 31, 2016	**278**	**9**
Of which foreign companies	220	4

The following entities were deconsolidated during the first three quarters of the business year 2016/17:

Name of entity
Full consolidation in business year 2015/16
Sturdell Holdings, Inc.
Kadow und Riese Laser- und Umformtechnik GmbH
Reorganizations
BU Beteiligungs- und Vermögensverwaltung GmbH
BÖHLER Wärmebehandlung GmbH
Grimstows Holdings Inc.
voestalpine Stamptec Qinhuangdao Co., Ltd.
Polynorm Immobilien GmbH & Co. KG
voestalpine Precision Strip WI, Inc.

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

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

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

In millions of euros

The following entities are being included in the interim consolidated financial statements for the first time in the first three quarters of the business year 2016/17:

Name of entity	Interest in %
Full consolidation	
ASSAB Steels Vietnam Company Limited	100.000%
voestalpine Rotec Summo Corp.	100.000%
voestalpine Steel Trading (Shenyang) Co., Ltd.	100.000%
voestalpine Rotec Summo de Mexico S. de R.L. de C.V.	100.000%
voestalpine Additive Manufacturing Center Singapore Pte. Ltd	100.000%
voestalpine SIGNALING USA Inc.	100.000%
voestalpine Boehler Welding USA Technology LLC	100.000%
voestalpine Automotive Components Aguascalientes S. de R.L. de C.V.	100.000%

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

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

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

	Recognized values
Non-current assets	15.2
Current assets	11.2
Non-current provisions and liabilities	–4.5
Current provisions and liabilities	–0.7
Net assets	**21.2**
Goodwill	6.1
Costs of acquisition	**27.3**
Cash and cash equivalents acquired	–0.2
Purchase price not yet paid	–3.9
Net cash outflow	**23.2**

In millions of euros

Goodwill of EUR 6.1 million results from the profit potential of the company which cannot be allocated to individual capitalizable items according to IFRS, in particular, the comprehensive know-how relating to the technology used in the processing of tubes, and access to the automotive market in North America. Goodwill is assigned completely to the "Tubes & Sections" unit, which carries the goodwill. It is not expected that any part of included goodwill will be eligible for corporate tax deductions.

Since their initial consolidation, these acquisitions have contributed revenue of EUR 17.1 million to consolidated revenue. Their share of the Group's profit after tax was EUR 0.0 million for the same period. The consolidated revenue would have been EUR 9.7 million higher and the Group's profit after tax would have been EUR 0.7 million higher if the acquisitions had been consolidated as of April 1, 2016.

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

In the current reporting period, EUR 4.2 million were paid for earlier acquisitions made in accordance with IFRS 3.

The increase in majority interests is treated as a transaction between owners. The difference between the costs of acquisition of additional shares and the pro-rated carrying value of the non-controlling interests is recognized directly in equity. During the first three quarters of the business year 2016/17, EUR 3.8 million (2015/16: EUR 2.4 million) was paid for the acquisition of non-controlling interests or provisions were formed for the payment thereof. Non-controlling interests amounting to EUR –2.2 million (2015/16: EUR 0.0 million) were derecognized, and the remaining amount of EUR 1.6 million (2015/16: EUR 2.4 million) was recognized directly in equity.

Notes on the consolidated statement of financial position

Despite a positive performance of the pension fund of 8.0% during the current business year, a reduction of the discount interest rate from 1.9% to 1.6% resulted in an increase overall of the provisions for pension and severance obligations and consequently in an actuarial loss. Accumulatively, this also resulted in an increase of the provisions for long-service bonus obligations and consequently in a loss recognized in the income statement.

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All quantities expressed as tons in this Letter to Shareholders for the third quarter of the business year 2016/17 are metric tons (1,000 kg).

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

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