Letter to Shareholders
1st Half 2016/17

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ONE STEP AHEAD.

voestalpine Group Key Figures

H1 2015/16 vs. H1 2016/17

In millions of euros	**H 1 2015/16**[1] 04/01–09/30/2015	**H 1 2016/17** 04/01–09/30/2016	Change in %
Revenue	5,786.7	5,407.8	–6.5
EBITDA	892.1	704.9	–21.0
EBITDA margin	15.4%	13.0%	
EBIT	575.1	368.9	–35.9
EBIT margin	9.9%	6.8%	
Profit before tax	504.6	311.4	–38.3
Profit after tax[2]	420.8	233.7	–44.5
EPS – Earnings per share (euros)	2.29	1.28	–44.1
Investments in tangible and intangible assets and interests	647.3	470.8	–27.3
Depreciation	317.0	336.0	6.0
Equity	5,524.4	5,610.5	1.6
Net financial debt	3,152.9	3,370.0	6.9
Net financial debt in % of equity (gearing)	57.1%	60.1%	
Employees (full-time equivalent)	48,719	48,786	0.1

[1] H 1 2015/16 retroactively adjusted. Further details are provided under “General information/Accounting policies.”
[2] Before deduction of non-controlling interests and interest on hybrid capital.

Q1 2016/17 vs. Q2 2016/17

In millions of euros	**Q 1 2016/17** 04/01–06/30/2016	**Q 2 2016/17** 07/01–09/30/2016	Change in %
Revenue	2,772.4	2,635.4	–4.9
EBITDA	333.9	371.0	11.1
EBITDA margin	12.0%	14.1%	
EBIT	167.6	201.3	20.1
EBIT margin	6.0%	7.6%	
Profit before tax	138.9	172.5	24.2
Profit after tax[1]	105.8	127.9	20.9
EPS – Earnings per share (euros)	0.58	0.70	20.7
Investments in tangible and intangible assets and interests	232.9	237.9	2.1
Depreciation	166.3	169.6	2.0
Equity	5,705.3	5,610.5	–1.7
Net financial debt	3,188.9	3,370.0	5.7
Net financial debt in % of equity (gearing)	55.9%	60.1%	
Employees (full-time equivalent)	48,319	48,786	0.1

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

Highlights 1st Half 2016/17

- Continuation of the moderate economic recovery in Europe; waning economic momentum in North America; stabilization of growth in China; slowing of the negative trend in Brazil; continuing recessive development in Russia
- Automotive and aerospace industries continue their dynamic development; railway infrastructure and consumer goods industries remain stable; no trend reversal in sight for energy (oil and natural gas)
- Revenues go down by 6.5% from EUR 5,786.7 million to EUR 5,407.8 million over first half of 2016/17; compared to first quarter of 2016/17, revenue decreases by 4.9% in second quarter, from EUR 2,772.4 million to EUR 2,635.4 million.
- EBITDA for first half of 2016/17 increases in second quarter by 11.1% to EUR 371.0 million; EBITDA margin up from 12.0% to 14.1%
- EBIT improves in second quarter of 2016/17 by 20.1% to EUR 201.3 million (adjusted EBIT +19.5% to EUR 204.9 million); EBIT margin increases from 6.0% to 7.6% (adjusted EBIT margin from 6.2% to 7.8%)
- Due to positive non-recurring effects in the previous year, in a 12-month comparison EBITDA for first half of 2016/17 down by 21.0% from EUR 892.1 million to EUR 704.9 million; adjusted EBITDA drops by 6.6% from EUR 754.5 million to EUR 704.9 million
- As a result of positive non-recurring effects in the previous year, in a half-year comparison EBIT falls by 35.9%, from EUR 575.1 million to EUR 368.9 million; adjusted EBIT decreases by 16.3%, from EUR 449.8 million to EUR 376.4 million
- Adjusted EBITDA margin for first half of 2016/17 remains constant at 13.0%; adjusted EBIT margin dips slightly compared to the first half of the 2015/16 from 7.8% to 7.0%
- Due to payment of dividends in July and adjustment of the interest rate for provisions for obligations relating to employee benefits, gearing ratio (net financial debt in percent of equity) as of September 30, 2016 at 60.1% (September 30, 2015: 57.1%; March 31, 2016: 54.5%)
- Run-up phase of direct reduction plant in Texas, USA, begins successfully on September 28, 2016; official opening ceremony on October 26, 2016

Interim Management Report

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

Report on the Group's business performance and the economic situation

Europe/EU

The most important event to effect Europe in the first half of the business year 2016/17 was without a doubt the Brexit vote by the British. Although the result that was announced on the morning of June 24, 2016 shocked not only continental Europe but much of Great Britain as well, the economy in Europe returned to its slow but steady growth trajectory much more quickly than expected. This upward trend has been only moderately dynamic, but it has shown itself to be remarkably resilient not only with regard to the Brexit vote but also other potential threats during recent quarters, such as the putsch attempt in Turkey, the escalating crisis in Syria, and terrorist acts perpetrated by ISIS. Now that what had been viewed as a taboo of a member state withdrawing from the European Union has been broken, there are speculations about its continued existence and/or its future structure.

The driving force of the stable economic development in the EU remains private consumption—as was the case in recent quarters—supported by an overall positive development with regard to jobs and higher disposable income due to low inflation and a low oil price. The Continent was also able to increase some of its momentum as far as exports are concerned.

Investment activity, however, remains cautious despite the historically low interest rates that have persisted for quite some time. While public spending has risen, most of this increase was due to the challenges faced by communities resulting from refugee migration so that this has had no direct stimulating effect on the economy.

For the voestalpine Group, the current economic environment means a continuation of the excellent market conditions in the automotive sector and stable demand at a high level from the consumer goods industry. The development of the aerospace industry continues to be outstanding and the situation in the railway infrastructure sector has mostly remained quite solid.

Although sentiment indicators in the building and construction sector point to an improvement in momentum, order activity in this sector, which is of lesser importance for voestalpine, has remained modest. Apart from a few exceptions, the energy sector has remained in a weak phase that has marked this sector for quite some time.

All in all, the existing economic trends in Europe remain largely stable; even Brexit has remained primarily a political topic for the time being without any really noticeable implications for economic development. Nevertheless, the issues associated with Brexit will probably result in the greatest risks for Europe's economic development, especially in the medium and long term. Otherwise, Europe's modest but quite stable economic growth appears to be relatively resistant to external negative effects.

North America/NAFTA

Economic development in North America, especially the USA, has flagged considerably in the course of the year. Economic impetus has come primarily from private consumption, with manufacturing contributing relatively little to growth for quite a long time. Both private investment and public sector spending has been cautious—an

additional reason for the subdued development. Additionally, exports have suffered from the relatively strong US dollar, a generally weak global economy, and the persisting bear market in the oil and natural gas industry.
In the first half of the business year 2016/17, it was primarily the latter that has affected the voestalpine Group, even though the downtrend was halted during the summer months and incoming orders even showed a slight uptick in some segments. At the same time, waning momentum in manufacturing resulted in declining investment activity in the railway infrastructure sector. On the other hand, in both the aerospace and the automotive sectors, where the voestalpine Group exclusively supplies the North American plants of European premium manufacturers, demand remained excellent.

South America/Brazil

Although the recessive development of the Brazilian economy continued over the summer months, the negative trend slowed somewhat. Even though the political changes give rise to hope that the situation will improve, a trend reversal does not seem realistic before 2017.
The voestalpine locations have reacted to the continuing weakness of the market with rigorous cost reduction and efficiency improvement measures on one hand and on the other, with steps to boost exports, which were hampered during the summer months, however, by the upward revaluation of the real, the Brazilian currency.

Asia/China

Twelve months ago, the global economy was rattled by the slowing of China's rapid economic development, but since then, its GDP growth has not only stabilized at considerably over six percent but has even gained momentum during recent months. The drivers of this positive trend were mainly the construction industry and investments in infrastructure, although most recently, private consumption and private investment have also made gains. Fiscal measures and an easing of the monetary policy support this positive development as does an aggressive export policy. In a number of sectors, however, the latter has resulted in anti-China trade measures.
The most important sectors for the voestalpine Group in China—and in Asia in general—are the consumer goods industry, automotive components, railway infrastructure, and the oil and natural gas industries. In the first half of the current business year, the first three segments have continued a positive trajectory and, from the current vantage point, a change is not anticipated in the second half of the business year. A trend reversal seems to be on the horizon for 2017 for the oil and natural gas segments, which have been challenging for some time.

Report on the financial key performance indicators of the voestalpine Group

A weaker price environment compared to the previous year—due mainly to lower pre-material costs and extremely challenging conditions in the oil and natural gas sectors—was the primary reason for the decline in revenue by 6.5% from EUR 5,786.7 million in the first half of 2015/16 to EUR 5,407.8 million in the first half of 2016/17. As far as volumes are concerned, the markedly lower demand in the oil and natural gas sectors had a significant impact on the Seamless Tubes business segment (Metal Engineering Division), while the Steel Division was able to increase its delivery volume in a year-over-year comparison as a result of the solid market momentum for high quality, sophisticated steel products. The sole division that was able to increase its revenue in a year-over-year comparison was the Metal Forming Division due to its expansion of automotive activities.

As far as earnings are concerned, the first half of 2016/17 was characterized by a sharp decline in the Steel Division in the first three months of the business year; in the second quarter of 2016/17, the division experienced a strong upward trend as higher prices were reflected in newly concluded contracts with customers. Earnings in the Steel Division were diametrically opposed to the trend in the first half of the previous year, when the economic environment in the European steel sector deteriorated due to increasing imports. Start-up losses at the direct reduction plant in Texas, USA, as well as the reduced performance of blast furnace 5 to allow for the fine-tuning of the coal injection system amounted to more than EUR 30 million impacted the operating result in the first half of 2016/17.

While the performance of Metal Engineering Division dropped off substantially as a result of positive non-recurring effects in the previous year due to changes in consolidation and the weakness of the energy sector mentioned above, the Special Steel Division and the Metal Forming Division increased their earnings figures in comparison with the previous year. Viewing the Group as a whole, EBITDA fell by 21.0% from EUR 892.1 million in the first half of 2015/16 to EUR 704.9 million in the first half of 2016/17. EBIT decreased by 35.9% from EUR 575.1 million to EUR 368.9 million. However; the comparison of earnings has limited informative value because of the non-recurring effects in the same period of the previous year in connection with the acquisition of the controlling interest in companies that are part of the Seamless Tubes and Turnout Systems business segments. Revaluations based on the fair values less depreciation of hidden reserves had a positive impact on EBITDA of voestalpine AG in the first half of 2015/16 at EUR 137.6 million and EBIT at EUR 125.2 million, while in the first half of 2016/17, the effect on EBIT was negative at EUR −7.5 million. Taking these non-recurring effects into consideration, consolidated EBITDA in the first half of 2016/17 was EUR 704.9 million, just 6.6% behind last year's figure of EUR 754.5 million. As a result of the decline in revenue, the adjusted EBITDA margin remained constant at 13.0% Because of the increase in the level of depreciation, which only impacted EBIT, in a year-to-year comparison, the decline of EBIT, which has been adjusted for non-recurring effects, is somewhat higher at −16.3%—a decrease from EUR 449.8 million (margin: 7.8%) to EUR 376.4 million (margin: 7.0%).

In the first half of 2016/17, profit before tax includes non-recurring effects of EUR −7.5 million (previous year: EUR 125.2 million); profit after tax includes non-recurring effects of EUR −5.6 million (previous year: EUR 130.4 million). Adjusted for non-recurring income and expenses, profit before tax went down by 15.9% from EUR 379.3 million in the first half of 2015/16 to EUR 318.9 million in the first half of 2016/17. The decline of the adjusted profit after tax was of similar magnitude—17.6% from EUR 290.4 million to EUR 239.3 million.

In a year-over-year comparison, equity rose by 1.6% from EUR 5,524.4 million as of September 30, 2015 to EUR 5,610.5 million as of September 30, 2016. Compared to the reporting date of March 31, 2016 (EUR 5,651.6 million), equity declined slightly by 0.7%. In the first half of 2016/17, payment of dividends amounting to more than EUR 200 million and actuarial losses in connection with adjustments of the interest rate for provisions for obligations relating to employee benefits, which could not be completely

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

In millions of euros	Q 1		Q 2		H 1		
	2015/16[1] 04/01–06/30/2015	2016/17 04/01–06/30/2016	2015/16[1] 07/01–09/30/2015	2016/17 07/01–09/30/2016	2015/16[1] 04/01–09/30/2015	2016/17 04/01–09/30/2016	Change in %
Revenue	3,001.7	2,772.4	2,785.0	2,635.4	5,786.7	5,407.8	–6.5
EBITDA	526.6	333.9	365.5	371.0	892.1	704.9	–21.0
EBITDA margin	17.5%	12.0%	13.1%	14.1%	15.4%	13.0%	
EBIT	368.4	167.6	206.7	201.3	575.1	368.9	–35.9
EBIT margin	12.3%	6.0%	7.4%	7.6%	9.9%	6.8%	
Profit before tax	328.2	138.9	176.4	172.5	504.6	311.4	–38.3
Profit after tax[2]	289.5	105.8	131.3	127.9	420.8	233.7	–44.5
Employees (full-time equivalent)	48,653	48,319	48,719	48,786	48,719	48,786	0.1

[1] Q 1 2015/16, Q 2 2015/16 and H 1 2015/16 retroactively adjusted. Further details are provided under "General information/Accounting policies."
[2] Before deduction of non-controlling interests and interest on hybrid capital.

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

In millions of euros	Q 1		Q 2		H 1		
	2015/16[1] 04/01–06/30/2015	2016/17 04/01–06/30/2016	2015/16[1] 07/01–09/30/2015	2016/17 07/01–09/30/2016	2015/16[1] 04/01–09/30/2015	2016/17 04/01–09/30/2016	Change in %
Revenue	3,001.7	2,772.4	2,785.0	2,635.4	5,786.7	5,407.8	–6.5
EBITDA	389.0	333.9	365.5	371.0	754.5	704.9	–6.6
EBITDA margin	13.0%	12.0%	13.1%	14.1%	13.0%	13.0%	
EBIT	236.9	171.5	212.9	204.9	449.8	376.4	–16.3
EBIT margin	7.9%	6.2%	7.6%	7.8%	7.8%	7.0%	
Profit before tax	196.7	142.8	182.6	176.1	379.3	318.9	–15.9
Profit after tax[2]	151.7	108.7	138.7	130.6	290.4	239.3	–17.6
Employees (full-time equivalent)	48,653	48,319	48,719	48,786	48,719	48,786	0.1

[1] Q 1 2015/16, Q 2 2015/16 and H 1 2015/16 retroactively adjusted. Further details are provided under "General information/Accounting policies."
[2] Before deduction of non-controlling interests and interest on hybrid capital.

compensated despite the solid development of earnings in the first half of 2016/17, had a negative impact on equity.

During the past twelve months, net financial debt grew by 6.9% from EUR 3,152.9 million as of September 30, 2015 to EUR 3,370.0 million as of September 30, 2016. The main reason for this increase in debt was the Group's high level of investment activity, which was markedly higher than the level of depreciation. Compared to the reporting date of March 31, 2016, net financial debt increased by 9.4% from EUR 3,079.9 million to EUR 3,370.0 million; the reasons for the rise during this period were the increase in net working capital, outflow of capital for investments, and particularly, the payment of dividends in July 2016. As a result, the gearing ratio went up both in a year-to-year comparison and compared to the reporting date of the business year 2015/16. While it was 57.1% as of the reporting date of September 30, 2015 and 54.5% as of March 31, 2016, as of September 30, 2016, it was at 60.1%.

In the previous year, investment volume reached a new peak due to various major projects. Because only part of these projects could be completed in the past business year, the amount spent on investments was again considerably higher than the level of depreciation in this business year as well. Overall, however, investment expenditure nevertheless fell by 27.3% from EUR 647.3 million in the first half of 2015/16 to EUR 470.8 million in the first half of 2016/17.

As of September 30, 2016, the voestalpine Group had 48,786 employees (FTE). In a year-to-year comparison (48,719 FTE as of September 30, 2015), this is an increase of 0.1%. Headcount increased in the Special Steel Division due to acquisitions and in the Metal Forming Division due to an expansion of automotive activities. It decreased, however, in both the Steel Division and the Metal Engineering Division (adjustment in the number of personnel due to the difficult market conditions in the oil and natural gas sectors). Compared to the reporting date of March 31, 2016 (48,367 FTE), this is a gain of 0.9%.

Net financial debt can be broken down as follows:

Net financial debt

	09/30/2015	09/30/2016
Financial liabilities non-current	3,180.0	3,230.8
Financial liabilities current	735.8	1,025.3
Cash and cash equivalents	–329.1	–488.9
Other financial assets	–406.3	–375.8
Loans and other receivables from financing	–27.5	–21.4
Net financial debt	**3,152.9**	**3,370.0**

Steel Division

In millions of euros	Q1		Q2		H1		
	2015/16 04/01–06/30/2015	2016/17 04/01–06/30/2016	2015/16 07/01–09/30/2015	2016/17 07/01–09/30/2016	2015/16 04/01–09/30/2015	2016/17 04/01–09/30/2016	Change in %
Revenue	1,060.9	909.0	929.9	867.1	1,990.8	1,776.1	–10.8
EBITDA	134.2	87.2	119.0	143.6	253.2	230.8	–8.8
EBITDA margin	12.6%	9.6%	12.8%	16.6%	12.7%	13.0%	
EBIT	74.7	21.1	58.0	76.0	132.7	97.1	–26.8
EBIT margin	7.0%	2.3%	6.2%	8.8%	6.7%	5.5%	
Employees (full-time equivalent)	11,036	10,869	11,054	10,928	11,054	10,928	–1.1

Market environment and business development

In the first nine months of the 2016 calendar year, demand on the European steel market, especially in the high quality segment, was marked by an upward trend. However; despite the positive market development, production by European steel manufacturers remained under the previous year's level. The reason behind this is primarily higher steel imports, as overseas competitors are increasingly taking advantage of the improved demand situation in Europe. After the dramatic increase in steel imports during the 2015 calendar year, they have most recently stabilized—albeit at a high level—due to the imposition of permanent import duties by the European Commission for cold-rolled steel strip from China and Russia in August 2016 and temporary import duties for hot-rolled steel strip and heavy plate from China in October 2016.

The raw materials market was characterized by an unusual development in the price of metallurgical coal in recent months. The price of coking coal on the spot market rose sharply within just a few months from slightly over USD 80 to more than USD 200 because of a sudden shortage. Due to existing contracts, the associated cost effects will not be fully felt until the fourth quarter of the business year 2016/17.

Despite the Brexit referendum, the negative effects on the European economy have remained within reasonable limits, However, negative consequences on corporate investment decisions in Great Britain are to be expected in the future.

In the automotive customer segment—the most important one for the Steel Division—the division profited from excellent demand in the first half of 2016/17, due primarily to the continuously rising car sales numbers in Europe and a healthy demand for luxury models, especially from China and the USA. From today's vantage point, this trend seems robust and a reversal does not appear to be on the horizon.

In other customer segments important for the Steel Division, market momentum also remained solid in the first half of 2016/17. For example, demand from the mechanical engineering and white goods industries was at a very good level. Only the negative market environment of the energy industry—of significant importance for the Heavy Plate business segment—persisted. Because of the low oil price, new pipeline projects are currently rare; however, in the second quarter of the business year 2016/17, production of high quality line pipe plates began for the Nord Stream II pipeline contract, which was awarded at the end of the previous business year.

In July 2016, the scheduled major repair of blast furnace 6 at the Linz, Austria, site was begun; in the previous business year blast furnace 5 was successfully renovated. Concurrently, preparations are already being made for the routine repair of blast furnace A in 2018. As far as investments are concerned, the focus is on projects to further optimize the product portfolio. Technology is being further developed with the construction of a new continuous casting facility (CC8) in Linz; it is set to be put into operation in the fall of 2017. In the Heavy Plate business segment, a facility for very sophisticated products in the energy sector began successful operations in the first half of 2016/17. The "toughcore" technology, which was developed in-house, makes it possible to manufacture heavy plate with hitherto unrivaled product qualities for use under the most extreme conditions.

The most important investment of recent years is the construction of the direct reduction plant in Texas, USA. After the successful run-up phase, the facility was officially opened on October 26, 2016 with a festive ceremony (see Chapter "Direct reduction plant in Texas, USA"). In the first half of 2016/17, the Steel Division undertook investments totaling EUR 229.0 million, 43.0% less than in the same period of the previous year.

Financial key performance indicators

Although the summer quarter of 2016/17 showed a steep upward trajectory, due largely to catch-up effects with regard to prices, the key performance indicators of the first half of 2016/17 lagged behind those of the previous year. The reason for this was that the Steel Division was not yet able to profit from the higher steel prices on the spot market in the first quarter of the business year because it is bound by long-term contractual conditions, while raw materials costs were already rising. Despite a higher delivery volume, revenue fell in a year-over-year comparison by 10.8% from EUR 1,990.8 million in the first half of 2015/16 to EUR 1,776.1 million in the first half of 2016/17. As far as earnings are concerned, the operating result (EBITDA) fell by 8.8% from EUR 253.2 million (margin: 12.7%) to EUR 230.8 million (margin: 13.0%). While the gross margin has decreased, it is offset by a higher delivery volume and cost savings resulting from the ongoing efficiency and cost optimization program. Furthermore, EBITDA was adversely affected in the first half of 2016/17 by the start-up losses recorded by the direct reduction plant in Texas, USA (budgeted EBIT 2016/17: EUR −25 million), and the extensively renovated blast furnace 5 in the previous year, which operated with reduced performance in the first quarter of 2016/17 because of adjustments that had to be made (fine-tuning of the coal injection system). These effects amounted to more than EUR 30 million. Profit from operations (EBIT) fell even more sharply compared to the previous year by 26.8%, going from EUR 132.7 million (margin: 6.7%) to EUR 97.1 million (margin: 5.5%); one of the reasons for this drop was that depreciation had risen in the second half of the business year 2015/16 due to new facilities that had begun operations.

In a direct comparison of the first and second quarters of 2016/17, revenue dropped off due to seasonal fluctuations, however, profitability rose significantly. Revenue declined by 4.6% from EUR 909.0 million to EUR 867.1 million due to lower delivery volume, while at the same time average prices went up. The operating result (EBITDA) improved during the same period markedly by 64.7% from EUR 87.2 million to EUR 143.6 million so that the EBITDA margin increased from 9.6% to 16.6%. As far as earnings are concerned, profit from operations (EBIT) fell by 260.2% from EUR 21.1 million (margin: 2.3%) to EUR 76.0 million (margin: 8.8%). This is due primarily to higher price levels, while raw materials costs rose only marginally. As far as non-recurring expenses are concerned, the direct reduction plant in Texas reported roughly comparable start-up losses in both quarters, while in the year-over-year comparison, the adverse impact from the reduced performance of blast furnace 5 was only recorded in the first quarter of 2016/17.

At 10,928 as of the end of the first half of 2016/17, the number of employees (FTE) in the Steel Division was 1.1% below the figure in the same period of the past business year (11,054) and 0.3% higher than the figure as of the end of the past business year (10,891).

Special Steel Division

In millions of euros	Q 1		Q 2		H 1		
	2015/16[1] 04/01– 06/30/2015	2016/17 04/01– 06/30/2016	2015/16[1] 07/01– 09/30/2015	2016/17 07/01– 09/30/2016	2015/16[1] 04/01– 09/30/2015	2016/17 04/01– 09/30/2016	Change in %
Revenue	709.0	667.1	659.8	638.9	1,368.8	1,306.0	–4.6
EBITDA	99.9	99.2	86.2	94.3	186.1	193.5	4.0
EBITDA margin	14.1%	14.9%	13.1%	14.8%	13.6%	14.8%	
EBIT	65.2	63.4	52.5	58.2	117.7	121.6	3.3
EBIT margin	9.2%	9.5%	8.0%	9.1%	8.6%	9.3%	
Employees (full-time equivalent)	13,411	13,507	13,434	13,573	13,434	13,573	1.0

[1] Q 1 2015/16, Q 2 2015/16 and H 1 2015/16 retroactively adjusted.
Further details are provided under "General information/Accounting policies."

Market environment and business development

The market environment of the Special Steel Division in the second quarter of 2016/17 was marked by momentum that remained persistently modest. A moderate increase in revenue in the tool steel segment is due largely to the regional expansion of the sales network in Spain, Portugal, and China as a result of the most recent acquisitions. Despite the challenging market environment, earnings remained largely stable by virtue of the strategic focus on products with unique selling points and continuing expansion of service offerings within the sales organization.

The past quarter did not see any significant revitalization of demand in the oil and natural gas segments, as hardly any projects involving the development of new oil and natural gas reserves are being undertaken. Companies in these industries are reacting to the challenging framework conditions with increasing consolidation. In this difficult environment, voestalpine can differentiate itself significantly from the competition not only by the high quality of its products, but by the fact that it maintains local inventories both in the USA and in Asia. There are cautiously optimistic signals for the second half of the business year.

In the aerospace sector, on the other hand, the second quarter again had a strong showing. Both the volume and the value of the division's deliveries are substantially higher than in the same period of the previous year, making it necessary to develop projects that adjust the capacity to growing demand.

In the energy engineering industry there are some slight positive signs for a market recovery, the first improvement in quite some time. Although Europe has largely abandoned this industrial segment, the division reports increasing revenue in comparison to the previous year, driven primarily by necessary maintenance on existing power plants.

Development in the automotive industry continues to be positive. Especially in China, the division has been able to continually expand its leading position with regard to steel for highly sophisticated tools used in automobile production due to its comprehensive local service.

In recent months, the North American special steel market continued to lose momentum, in part because of the persistent weakness of the oil and natural gas industries. Furthermore, the increasing artificial isolation of the US steel market has slowed the division's business development in this region.

In South America, the crisis in Brazil continued unabated in the second quarter of the business year. It was not until the most recent changes at the highest political level had occurred that somewhat more positive expectations regarding the country's economic development have emerged. The significant upward revaluation of the real, the Brazilian currency, has, however, led to increasing pressure on exports. Thus far, extensive lean management measures and the development of new business fields have been able to largely compensate the negative effects.

On the other hand, the market environment in some parts of Asia, in particular in China and increasingly in India as well, continues to be positive. The division's focus on a product range whose technology sets it apart from its Chinese competitors and the most recent local acquisitions bolster its growth strategy in this region.

Generally, the policy of the Special Steel Division of differentiating itself from the competition by focusing on top quality products and premium services results in a relatively low level of price volatility, a largely stable market position, and, ultimately, profitability that is higher than the industry average as well—even in a difficult market environment.

In the Special Steel Division, expansion of activities in service and sales continued in the first half of 2016/17 as planned. Furthermore, activities in the coating technology segment maintained their growth trajectory. For example, the first coating center in India for the coating of tool steel was put into operation in Pune. In Querétaro, a hotspot for the automotive industry in Mexico that is experiencing strong economic growth, the opening of a new processing and coating center was celebrated with an inauguration ceremony in June 2016. This investment in Mexico was undertaken to strengthen service for the automotive industry, which is continuously increasing the technological requirements in this region. Overall, investments made by the Special Steel Division declined by 23.3% from EUR 68.7 million in the first six months of 2015/16 to EUR 52.7 million in the current reporting period.

Financial key performance indicators

In a market environment that continues to be challenging, the first six months of the business year 2016/17 saw a slight decline in revenue in the Special Steel Division, which was due largely to a downward trend in sales prices. However, the division was able to increase earnings in the same period in comparison to the first half of 2015/16, primarily as a result of the strong performance of the aerospace sector.

Revenue declined in the first six months of 2016/17 (EUR 1,306.0 million) compared to the same period in the previous year (EUR 1,368.8 million) by 4.6%. At the same time EBITDA improved by 4.0% from EUR 186.1 million to EUR 193.5 million, and EBIT went up by 3.3% from EUR 117.7 million to EUR 121.6 million. Accordingly, the margins rose as well: the EBITDA margin increased compared to the first half of 2015/16 from 13.6% to14.8%, while the EBIT margin went from 8.6% in the first six months of 2015/16 to 9.3% in the first half of 2016/17.

Comparing the second quarter of 2016/17 with the first quarter of 2016/17, the Special Steel Division saw a drop in revenue of 4.2% from EUR 667.1 million to EUR 638.9 million in the second quarter of 2016/17. This decline was largely due to the seasonal weakening in demand during the summer months. At the same time, the operating result (EBITDA) decreased by 4.9% from EUR 99.2 million to EUR 94.3 million, whereby the EBITDA margin remained practically constant at 14.8% (first quarter: 14.9%). Profit from operations (EBIT) fell in a comparison with the immediately preceding quarter by 8.2% from EUR 63.4 million (margin: 9.5%) to EUR 58.2 million (margin: 9.1%).

The number of employees (FTE) in the Special Steel Division was 13,573 at the end of the first half of the year or 1.0% above the figure on the previous year's reporting date (13,434). This increase is primarily the result of the acquisitions of Sermetal and Advanced Tooling Tek (ATT). Compared with the figure at the end of the last business year (13,470), the number of employees has gone up by 0.8%.

Metal Engineering Division

In millions of euros	Q1		Q2		H1		
	2015/16 04/01–06/30/2015	2016/17 04/01–06/30/2016	2015/16 07/01–09/30/2015	2016/17 07/01–09/30/2016	2015/16 04/01–09/30/2015	2016/17 04/01–09/30/2016	Change in %
Revenue	774.0	680.4	751.3	652.1	1,525.3	1,332.5	–12.6
EBITDA	236.1	87.6	100.0	84.4	336.1	172.0	–48.8
EBITDA margin	30.5%	12.9%	13.3%	12.9%	22.0%	12.9%	
EBIT	197.2	49.7	61.2	45.8	258.4	95.5	–63.0
EBIT margin	25.5%	7.3%	8.1%	7.0%	16.9%	7.2%	
Employees (full-time equivalent)	13,097	12,606	13,080	12,709	13,080	12,709	–2.8

Metal Engineering Division, adjusted

In millions of euros	Q1		Q2		H1		
	2015/16 04/01–06/30/2015	2016/17 04/01–06/30/2016	2015/16 07/01–09/30/2015	2016/17 07/01–09/30/2016	2015/16 04/01–09/30/2015	2016/17 04/01–09/30/2016	Change in %
Revenue	774.0	680.4	751.3	652.1	1,525.3	1,332.5	–12.6
EBITDA	109.6	87.6	100.0	84.4	209.6	172.0	–17.9
EBITDA margin	14.2%	12.9%	13.3%	12.9%	13.7%	12.9%	
EBIT	76.8	53.6	67.5	49.4	144.3	103.0	–28.6
EBIT margin	9.9%	7.9%	9.0%	7.6%	9.5%	7.7%	
Employees (full-time equivalent)	13,097	12,606	13,080	12,709	13,080	12,709	–2.8

Market environment and business development

After a decline in revenue and operating result in the business year 2015/16 due to the extreme erosion of demand in the oil and natural gas sectors, the Metal Engineering Division has succeeded in stabilizing the development of its earnings during the business year 2016/17 thus far. The division attained this outcome even though demand in railway infrastructure, its most important sector, in the first half of 2016/17 was somewhat below the previous year's excellent level; overall however, it remained solid. For example, the Rail Technology business segment was able to largely maintain its full capacity utilization in the first six months of 2016/17, due primarily to a solid stream of incoming orders from European markets. The market conditions in the rail segment in all important overseas regions were considerably more challenging.

A market environment that was highly differentiated from region to region marked the development in the Turnout Systems business segment. In the first half of 2016/17, a generally excellent

level of demand in Europe, China, and India was contrasted with an only moderate performance in the mining regions of Australia, South Africa, and Brazil. However, this business segment profited from growing rail mass transit networks in a number of major cities both in Asia and in North America. Most recently, the unit received major orders in the signaling technology segment as part of the implementation of software-based monitoring systems in Germany and Austria.
The automotive sector generated a tailwind for the Wire Technology business segment, enabling it to maintain a solid performance; the new wire production line that is in the process of being launched is already contributing significantly to the business segment's success.
Despite the fact that the oil price continues to be under pressure, exploration activities in the North American oil and natural gas industries increased recently after more than an almost complete yearlong interruption. This was due to a decrease in crude oil supplies and equipment inventories for drilling activities as well as lower prices for oil and natural gas field equipment. This—largely short-term—increase in incoming orders made it possible to end reduced working hours in the Seamless Tubes business segment in early October 2016 and return to a regular three-shift operation. The increased demand has, however, not (yet) resulted in an improvement in prices and margins.
In the first half of 2016/17, the Welding Consumables business segment continued to deal with a persistent weakness in the energy sector. This applies primarily to demand from Europe, Brazil, and North America; the market conditions in China were significantly more favorable. The restructuring measures initiated in the previous year had an increasingly positive effect on the profitability in this business segment.
The division's most important investment project, the state-of-the-art wire rolling mill in Donawitz, Austria, is nearing the end of the run-up phase. Between early August and the end of September 2016, the scheduled renovation of one of the two blast furnaces in Donawitz, Austria, was successfully completed.
The Metal Engineering Division invested a total of EUR 79.6 million in the current reporting period (previous year: EUR 95.3 million).

Financial key performance indicators

In a twelve-month comparison, the financial key performance indicators of the Metal Engineering Division have weakened significantly, due primarily to non-recurring effects, but also to the fact that the market in some customer segments has cooled. Overall, revenue fell by 12.6% from EUR 1,525.3 million in the first half of 2015/16 to EUR 1,332.5 million in the first half of 2016/17. The operating result (EBITDA) fell considerably by 48.8%, from EUR 336.1 million to EUR 172.0 million, while profit from operations (EBIT) declined even more sharply by 63% in the same period, from EUR 258.4 million to EUR 95.5 million. However, it must be taken into consideration that the previous year's results included positive non-recurring effects amounting to EUR 126.5 million reported in EBITDA and EUR 114.1 million reported in EBIT. The previous year's non-recurring effects were the result of 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). In this context, reassessments were made based on fair value less depreciation of hidden reserves. The non-recurring effects in the current business year amounting to EUR –7.5 million recorded in EBIT result solely from the depreciation of hidden reserves in connection with the acquisition of the controlling interest in the companies cited above.
Adjusted for non-recurring income and expenses, the division's earnings as recorded in EBITDA fell by 17.9% from EUR 209.6 million in the first half of 2015/16 to EUR 172.0 million in the first half of 2016/17. EBIT went down by –28.6% going from EUR 144.3 million to EUR 103.0 million. This was due primarily to the marked decline in activity by the oil and natural gas industries, which affected the Seamless Tubes business segment particularly dramatically, but also to the slight downward trend in the market environment for railway systems. Thus, the EBITDA margin, adjusted for non-recurring effects, dropped from 13.7% to 12.9% and the EBIT margin declined from 9.5% to 7.7%.
In a direct comparison of the first and second quarters of 2016/17, revenue decreased by 4.2%

from EUR 680.4 million to EUR 652.1 million. As far as the development of earnings is concerned, the operating result (EBITDA) fell by 3.7% from EUR 87.6 million to EUR 84.4 million. In profit from operations (EBIT), in a direct comparison of the second quarter with the immediately preceding quarter, the non-recurring effects remained practically unchanged as a result of the previously mentioned depreciation of hidden reserves (first quarter: EUR −3.9 million; second quarter: EUR −3.6 million). EBIT went down by 7.8 % going from EUR 49.7 million (adjusted EBIT: EUR 53.6 million) in the first quarter of 2016/17 to EUR 45.8 million (adjusted EBIT: EUR 49.4 million) in the second quarter. In a direct comparison of the first and second quarters, the EBITDA margin remained stable at 12.9%, while the EBIT margin, adjusted for non-recurring effects, declined slightly from 7.9% to 7.6%.

As of the end of the second quarter of 2016/17, the number of employees (FTE) in the Metal Engineering Division was 12,709 or 2.8% higher than last year's figure in the same period (13,080). The main reason for the adjustment in the number of personnel was the challenging market environment in the oil and natural gas industries that the Seamless Tubes business segment had to deal with in the past quarters. Compared with the figure at the end of the last business year (12,675), headcount rose slightly by 0.3%.

Metal Forming Division

In millions of euros	Q1		Q2		H1		
	2015/16 04/01–06/30/2015	2016/17 04/01–06/30/2016	2015/16 07/01–09/30/2015	2016/17 07/01–09/30/2016	2015/16 04/01–09/30/2015	2016/17 04/01–09/30/2016	Change in %
Revenue	565.5	615.8	540.9	572.2	1,106.4	1,188.0	7.4
EBITDA	69.3	80.0	69.0	73.4	138.3	153.4	10.9
EBITDA margin	12.3%	13.0%	12.8%	12.8%	12.5%	12.9%	
EBIT	46.1	55.2	45.4	48.1	91.5	103.3	12.9
EBIT margin	8.1%	9.0%	8.4%	8.4%	8.3%	8.7%	
Employees (full-time equivalent)	10,282	10,481	10,314	10,724	10,314	10,724	4.0

Market environment and business development

In the first half of the business year 2016/17, the performance of the Metal Forming Division was marked by a continuing outstanding market trend in the Automotive Components business segment. Furthermore, the Precision Strip business segment also maintained its solid development, while the Tubes and Sections and Warehouse and Rack Solutions business segments faced weaker demand.

In the Automotive Components business segment, the uptick in incoming orders continued in the first six months of the business year 2016/17. As a result of the constantly rising car sales numbers, which are bolstered by low interest rates and the

cheap oil price, among other factors, this business segment experienced a very positive development, to which both the core market of Europe and North America and China, which are becoming increasingly important, contributed equally. The Tubes and Sections business segment on the other hand was marked by a relatively subdued market momentum. Not least due to consolidations in the supply chain, there were temporary changes in customer call-offs. Against this backdrop, sentiment in the important agricultural and construction machinery industries remained subdued both in North America and in Europe, while in China the level of incoming orders improved noticeably. After its dramatic economic crisis that has lasted a number of years, an air of cautious optimism is emerging in Brazil; combined with consistent cost reduction measures, this is resulting in a stabilization of the economic development. In Europe, the construction industry, in particular, continues to be sluggish with the exception of Great Britain, where even after the Brexit vote, there is strong demand for voestalpine products and system solutions.
The Precision Strip business segment was able to carry over the economic tailwind from the previous business year into the current year and has maintained its solid performance at a high level. This is the result of improved market conditions in Europe on one hand and a continuing positive development in North America on the other; however, this is also due to the successful integration of a new voestalpine location in Pleasant Prairie, Wisconsin, USA.
After enjoying an excellent market environment in recent years, the development in the Warehouse and Rack Solutions business segment in the first half of 2016/17 was still affected by a high level of unfulfilled orders from the past. As far as future development is concerned, incoming contracts have currently slowed somewhat, although the project landscape overall remains promising.
In the first half of 2016/17, the Metal Forming Division consistently continued its strategy of global rollouts of key technologies in the automotive sector, for example, the production of laser-welded blanks, passive safety components, and hot-formed parts and components. In Linz, Austria, plant 2 of voestalpine Automotive Components Linz GmbH was opened, creating the largest production facility worldwide for laser-welded blanks made from ultra-high-strength steel. The automotive component plant in Cartersville, Georgia, USA, is currently already moving into its third phase of expansion. Hot-forming technology will continue to be rolled out and will be supplemented by a number of additional presses and assembly facilities. Moreover, a new automotive production location is currently being built in in Birmingham, Alabama, USA, which will have several automated assembly lines. Start of production is planned for September 2017.
The acquisition of the Canadian Summo Corporation in July 2016 is another contribution to the successful implementation of the division's growth and internationalization strategy. The company is headquartered in Burlington, Ontario, Canada, and has another production site in Monterrey, Mexico. This acquisition not only increases the division's market share in North America but expands the product portfolio in the segment of high quality passive automotive safety components, such as airbag components and seatbelt and seat systems.
In addition to the global rollout of current key technologies, the development of future-oriented technologies presents a constant challenge. In this regard, a particular highlight is the start-up of operations of the first facility worldwide for the product innovation "phs-directform®" in Schwäbisch Gmünd, Germany, in the second quarter of the business year. For the first time, this plant will manufacture press hardened, ultra high-strength, and corrosion-resistant automotive body parts from galvanized steel strip in a single process step (direct process). In the first half of the business year 2016/17, the Metal Forming Division invested EUR 106.5 million (previous year: EUR 78.4 million).

Financial key performance indicators

The revenue generated by the Metal Forming Division in the first two quarters of the business year 2016/17 rose in a comparison to the first half

of 2015/16 by 7.4%, going from EUR 1,106.4 million to EUR 1,188.0 million. This improvement is due on one hand to the continuing positive performance of the automobile industry and on the other, to the consistent internationalization activities undertaken by the division. This positive trend was reflected in the earnings; both the operating result (EBITDA) and profit from operations (EBIT) increased substantially in a year-to-year comparison. EBITDA improved by 10.9%, from EUR 138.3 million to EUR 153.4 million but was surpassed by EBIT, which rose by 12.9%, going from EUR 91.5 million to EUR 103.3 million. As a result of the above average increase in earnings in comparison to revenue, the positive development of the margins continued, with the EBITDA margin improving from 12.5% to 12.9% and the EBIT margin going up from 8.3% to 8.7%.
A direct comparison of the first and second quarter of the business year 2016/17 shows a slight decline in revenue, due partly to a slowing in the Warehouse and Rack Solutions business segment, but mostly the result of weaker demand in the summer months because of seasonal fluctuations. Overall, revenue decreased in a direct quarter-to-quarter comparison by 7.1% from EUR 615.8 million to EUR 572.2 million. This effect is also reflected in the operating result (EBITDA) and in profit from operations (EBIT). EBITDA went down by 8.3%, from EUR 80.0 million to EUR 73.4 million, and EBIT declined by 12.9%, from EUR 55.2 million to EUR 48.1 million. This meant a decrease in the EBIT margin from 9.0% in the first quarter to 8.4% in the second quarter, while the EBITDA margin changed only slightly from 13.0% to 12.8%.
As of September 30, 2016, the Metal Forming Division had 10,724 employees (FTE), an increase of 4.0% compared to the reporting date in the previous business year (10,314). This rise is due to the expansion of automotive activities at international locations as a result of the positive economic environment in this sector as well as the most recent acquisitions. In comparison to the headcount at the end of the business year 2015/16 (10,470), this equals an increase of 2.4%.

Business transactions with associated companies or parties

Information regarding business transactions with associated companies and parties is available in the Notes.

Direct reduction plant in Texas, USA

On October 26, 2016, the direct reduction plant in Corpus Christi, Texas, was officially opened after a construction period of just over two and a half years. The new plant comprises an area of two square kilometers, has its own deep-sea port, and is considered the largest and most modern facility of its kind in the world.
After successful test runs in the first quarter, the run-up phase of the Steel Division's first plant in North America was launched at the beginning of the second quarter of the current business year. The first HBI was produced on September 28, 2016. It is expected to reach full operating performance in the third quarter of 2016/17 with ongoing delivery to customers. The plant is slated to produce two million tons of high quality HBI (hot briquetted iron or sponge iron) annually, a sophisticated pre-material for steel production. 800,000 tons will be used in voestalpine's own plants. The first shipload will leave Corpus Christi for Europe before the end of the calendar year.
The new plant opens up new potential for the future not just with regard to cost and technology; supplying existing voestalpine blast furnaces and steel plants with HBI that was manufactured using gas instead of coal will also enable a reduction of CO_2 emissions by around 5% across the voestalpine Group.

Risk management

Active risk management, as it has been understood and practiced in the voestalpine Group for many years, serves to ensure both the continued long-term existence of the Group and an increase in its value, thus representing a key factor in the success of the Group as a whole. As part of the systematic risk management process, which is run several times a year uniformly across the entire Group, and internal control systems, which are also integral parts of the organizational and operational structures, potential risks are recognized systematically and early on, analyzed, assessed, and monitored on an ongoing basis, and appropriate risk-minimizing measures are taken.

The risk environment of the voestalpine Group in the first six months of the current business year remained practically unchanged—including in comparison to the previous years; the main risk areas (for example supply of the required quantity and quality of raw materials, outages of critical production facilities, CO_2-related issues, outages of critical IT systems, knowledge management, and financial risks) and the preventative measures have remained largely the same. The main risk areas and their risk-minimizing measures, which were presented and described in detail in the Annual Report 2015/16 of the voestalpine Group (Annual Report 2015/16, "Report on company risk exposure"), therefore continue to be applicable for the Management Report for the first half of the business year.

With regard to the remarks set forth in the Management Report for the business year 2015/16, it should be added in reference to the energy tax rebate that the Federal Tax Court has submitted a request for a preliminary ruling to the ECJ (Federal Tax Court 10/31/2014, RE/5100001/2014). The energy tax rebate was restricted to production companies through the amendment to the Energy Tax Rebate Act in the Budget Accompanying Act 2011, applicable to the periods after December 31, 2010. Subsequently, the question of whether this restriction that can be deemed to constitute state aid violated EU law was submitted to the European Court of Justice for a preliminary ruling; this has now actually been affirmed by the highest court (ECJ 7/21/2016, case no. C-493/14, Dilly's Wellnesshotel GmbH). Thus, the restrictions pursued by the Budget Accompanying Act 2011 did not enter into force with legal effect and therefore, service providers specifically, among others can retroactively assert the energy tax rebate for periods after February 1, 2011. No adverse impact is anticipated for the voestalpine Group.

Based on the knowledge gained as a result of the recent economic and financial crises and their effect on the voestalpine Group, additional—primarily corporate—measures were taken during the past several years to minimize risk exposure; these measures were also described in detail in the Annual Report 2015/16, and they continued and still continue to be consistently implemented in the current business year. In an economic environment that remains difficult, the impact of the British Brexit decision is being monitored and analyzed on an ongoing basis.

The measures to avert or prevent identified risk factors are aimed at reducing potential losses and/or minimizing the likelihood of losses occurring.

It can be stated that at the time of preparation of the Management Report for the first half of the business year, the risks and the resulting uncertainties for the voestalpine Group are limited and manageable and do not endanger the company's survival. There are no risks that endanger the future survival of the Group, and as of the reporting date for the first half of the year, no such risks are discernible.

Outlook

The development of the global economy during the entire first part of the business year 2016/17 was overshadowed by political crises in an increasing number of countries and regions, some of which kept escalating. The result has been weakening economic momentum worldwide since 2013 and fewer and fewer countries have been immune to this development. As, at the same time, the positive effects of a zero interest-rate policy, both in the EU and in the USA, are reaching their limits, the prerequisites necessary for a speedy and broad-based economic recovery are not being met.

Against this backdrop, the stability and hardiness of economic growth in the European Union is remarkable. At 1.8%, it is not exactly vigorous but—in contrast to the development in the USA—it has shown itself to be quite sustainable in the course of the year thus far.

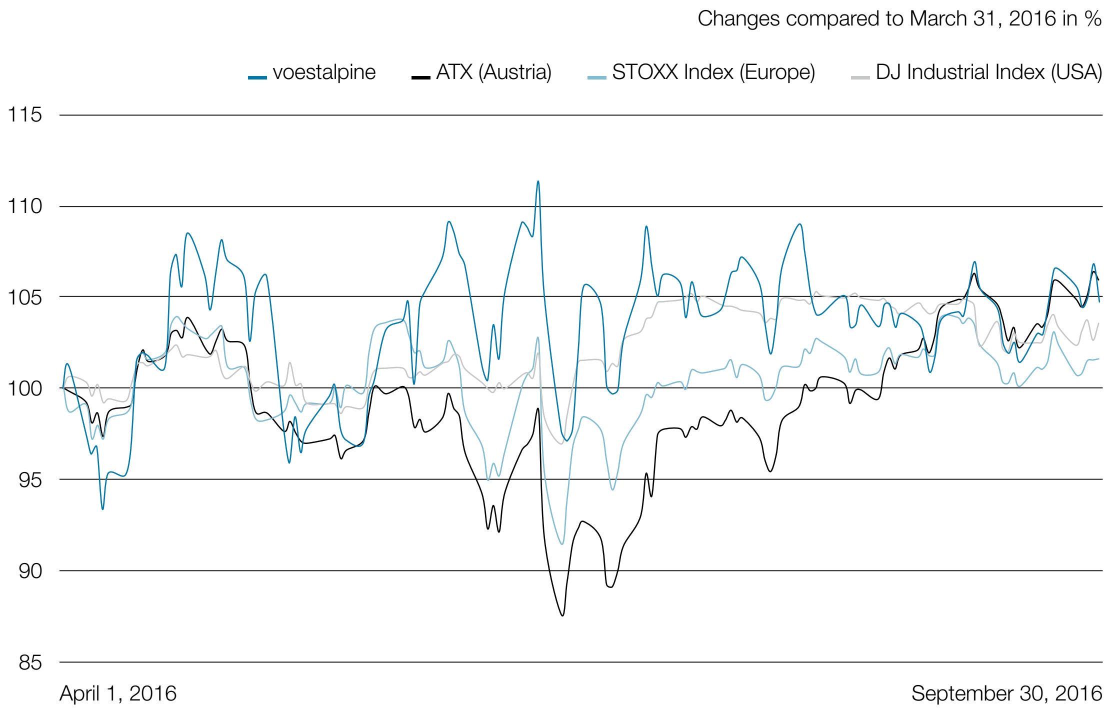
The expectations in the main customer industries of the voestalpine Group have also not changed much compared to previous forecasts. Stable demand from the automotive industry at a high level is in contrast to an energy sector that is still characterized by enormous price pressure and cautious investment behavior worldwide. Nevertheless, a slight trend reversal of the development of the past 18 months seems to be on the horizon for the first half of 2017 in the oil and natural gas sectors, where at least sales volume appears set to recover somewhat. The European building and construction sector is still not showing any noticeable signs of a recovery, however, the trend in the consumer goods industry has remained solid. The volatility of the mechanical engineering sector, which has been in evidence for quite some time, is not expected to change in the near future. The trend in the aerospace sector appears to be remaining stable at a high level, at least in the short term, while demand in the railway sector is currently far more differentiated according to region than at the beginning of the business year.

The earnings performance of the voestalpine Group in the second half of the business year should confirm the forecast made at the beginning of the year, according to which last year's course will be reversed. While in 2015/16, a very strong first half of the year was contrasted with a substantially weaker second half—both adjusted for non-recurring effects—from today's vantage point it appears that in 2016/17, the second half of the year will see an improvement of EBITDA and EBIT compared to the first six months of the year. This expectation is confirmed by the movement from the first to the second quarter that saw prices recover considerably in the Steel Division's contract business, resulting in a strong improvement in the division's and therefore also the Group's earnings. The rise of raw materials prices since the summer, in particular of coal but also of ore, is not yet expected to have a noticeable impact on the margins in the third quarter of the business year. To what extent this will negatively impact earnings will depend on the development of the steel prices.

Against the backdrop of this economic scenario and taking the positive effects of the consistent continuation of the comprehensive cost optimization and efficiency improvement programs into consideration, actual expectations for the business year 2016/17 are as follows: The target is unchanged to achieve profit from operations (EBIT) that will come close to the figures in the last business year (adjusted figure). With respect to operating result (EBITDA) a repetition of the adjusted figure from last year should now be possible.

Investor relations

voestalpine AG vs. the ATX and international indices



Price development of the voestalpine share

During the past six months the environment on the European capital markets was characterized by great uncertainty, resulting in increased volatility. Without a doubt, the Brexit vote in Great Britain in late June 2016 was a significant driver of this development; after all, the effects of this decision on the European economies and on the idea of Europe itself are almost impossible to gauge reliably. As a first reaction to the vote, the growth prognoses of the EU were revised downward, inevitably intensifying discussions about the smoldering banking crisis in Italy—and elsewhere—which had been an issue even prior to the Brexit vote. As a result of these circumstances—and exacerbated by the escalating

presidential campaign in the USA—the European capital markets have gone into roller coaster mode in recent months.
Under these unusual framework conditions, the price of the voestalpine share in the first half of 2016/17 did not only fluctuate turbulently but ended the reporting period with an increase of only 3.4% (from EUR 29.78 in early April 2016 to EUR 30.80 at the end of September 2016)—a very modest improvement.

Bonds

Type of bond	ISIN number	Volume	Interest rate	Share price (09/30/2016)
Corporate bond 2011–2018	AT0000A0MS58	EUR 500 million	4.75%	106.0
Corporate bond 2012–2018	XS0838764685	EUR 500 million	4.0%	107.0
Hybrid bond 2013	AT0000A0ZHF1	EUR 500 million	7.125%[1]	109.5
Corporate bond 2014–2021	AT0000A19S18	EUR 400 million	2.25%	108.0

[1] Interest rate: 7.125% p.a. from issue date to October 31, 2014; 6% p.a. from October 31, 2014 to October 31, 2019; five-year swap rate (from October 29, 2019) +4.93% p.a. from October 31, 2019 to October 31, 2024; then three-month EURIBOR +4.93% p.a. + step-up of 1% p.a. from October 31, 2024.

voestalpine AG is currently being analyzed by the following investment banks/institutions:

- Alpha Value, Paris
- Baader Bank AG, Munich
- Barclays, London
- Bank of America/Merrill Lynch, London
- Berenberg, London
- Citigroup, London
- Commerzbank, Frankfurt
- Credit Suisse, London
- Deutsche Bank, London
- Erste Bank, Vienna
- Exane BNP Paribas, Paris
- Goldman Sachs, London
- Jefferies, London
- J.P. Morgan, London
- Kepler Cheuvreux, Frankfurt
- Macquarie, London
- Morgan Stanley, London
- Raiffeisen Centrobank, Vienna
- Royal Bank of Canada Europe Ltd., London
- Redburn, London
- Société Générale, Paris
- Steubing, Frankfurt
- UBS, London

Share information

Share capital	EUR 317,851,287.79 divided into 174,949,163 no-par value shares
Shares in proprietary possession as of September 30, 2016	28,597 shares
Class of shares	Ordinary bearer shares
Stock identification number	93750 (Vienna Stock Exchange)
ISIN	AT0000937503
Reuters	VOES.VI
Bloomberg	VOE AV

Prices (as of end of day)	
Share price high April 2016 to September 2016	EUR 32.73
Share price low April 2016 to September 2016	EUR 27.46
Share price as of September 30, 2016	EUR 30.80
Initial offering price (IPO) October 1995	EUR 5.18
All-time high price (July 12, 2007)	EUR 66.11
Market capitalization as of September 30, 2016*	EUR 5,387,553,432.80

* Based on total number of shares minus repurchased shares.

Business year 2015/16	
Earnings per share	EUR 3.35
Dividend per share	EUR 1.05
Book value per share	EUR 31.28

Financial calendar 2016/17	
Letter to shareholders for the second quarter of 2016/17	February 9, 2017
Annual Report 2016/17	June 1, 2017
Record date for participation in the AGM	June 25, 2017
Annual General Shareholders' Meeting	July 5, 2017
Ex-dividend date	July 13, 2017
Record date for dividend payment	July 14, 2017
Dividend payment date	July 17, 2017
Letter to shareholders for the first quarter of 2017/18	August 9, 2017
Letter to shareholders for the second quarter of 2017/18	November 8, 2017

voestalpine AG
Condensed interim consolidated financial statements as of 09/30/2016

voestalpine AG
Condensed interim consolidated financial statements as of 09/30/2016

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

	04/01/2015[1]	03/31/2016	09/30/2016
A. Non-current assets			
Property, plant and equipment	5,328.4	6,006.5	6,159.7
Goodwill	1,472.9	1,544.4	1,551.1
Other intangible assets	345.3	414.1	416.8
Investments in entities consolidated according to the equity method	219.1	112.4	104.4
Other financial assets	77.6	69.8	68.0
Deferred tax assets	238.7	242.4	269.6
	7,682.0	**8,389.6**	**8,569.6**
B. Current assets			
Inventories	2,977.5	2,973.1	3,062.1
Trade and other receivables	1,667.9	1,513.3	1,578.4
Other financial assets	412.8	355.8	375.8
Cash and cash equivalents	464.5	774.8	488.9
	5,522.7	**5,617.0**	**5,505.2**
Total assets	**13,204.7**	**14,006.6**	**14,074.8**

[1] Business year 2014/15 retroactively adjusted.
Further details are provided under „General information/Accounting policies.“

In millions of euros

Equity and liabilities

	04/01/2015[1]	03/31/2016	09/30/2016
A. Equity			
Share capital	313.3	317.8	317.8
Capital reserves	471.9	553.7	552.3
Hybrid capital	497.9	497.9	497.9
Retained earnings and other reserves	3,767.5	4,102.0	4,082.9
Equity attributable to equity holders of the parent	**5,050.6**	**5,471.4**	**5,450.9**
Non-controlling interests	64.4	180.2	159.6
	5,115.0	**5,651.6**	**5,610.5**
B. Non-current liabilities			
Pensions and other employee obligations	1,267.3	1,229.1	1,359.1
Provisions	70.4	71.6	69.9
Deferred tax liabilities	63.1	122.0	120.6
Financial liabilities	3,004.6	3,342.8	3,230.8
	4,405.4	**4,765.5**	**4,780.4**
C. Current liabilities			
Provisions	513.6	567.2	545.9
Tax liabilities	77.2	98.3	95.4
Financial liabilities	890.2	898.2	1,025.3
Trade and other payables	2,203.3	2,025.8	2,017.3
	3,684.3	**3,589.5**	**3,683.9**
Total equity and liabilities	**13,204.7**	**14,006.6**	**14,074.8**

[1] Business year 2014/15 retroactively adjusted.
Further details are provided under "General information/Accounting policies."

In millions of euros

Consolidated statement of cash flows

	04/01 – 09/30/2015[1]	04/01 – 09/30/2016
Operating activities		
Profit after tax	420.8	233.7
Non-cash expenses and income	169.4	333.0
Changes in working capital		
Change in inventories	–12.8	–67.4
Change in receivables and liabilities	–71.0	–22.2
Change in provisions	41.3	–26.8
	–42.5	**–116.4**
Cash flows from operating activities	**547.7**	**450.3**
Investing activities		
Additions of other intangible assets, property, plant and equipment	–691.9	–514.7
Income from disposals of assets	3.3	4.7
Cash flows from the acquisition of control of subsidiaries	23.4	–27.1
Cash flows from the loss of control of subsidiaries	0.1	2.0
Additions/divestments of other financial assets	–0.6	–2.2
Cash flows from investing activities	**–665.7**	**–537.3**
Financing activities		
Dividends paid	–174.8	–183.7
Dividends paid non-controlling interests	–37.3	–12.4
Acquisition of non-controlling interests	–0.9	–1.9
Capital increase	85.3	–
Increase in long-term financial liabilities	277.1	57.2
Repayment of long-term financial liabilities	–88.1	–68.3
Repayment of long-term finance lease liabilities	–5.8	–2.6
Change in current financial liabilities and other financial liabilities	–64.5	11.4
Cash flows from financing activities	**–9.0**	**–200.3**
Net decrease/increase in cash and cash equivalents	**–127.0**	**–287.3**
Cash and cash equivalents, beginning of reporting period	464.5	774.8
Net exchange differences	–8.4	1.4
Cash and cash equivalents, end of reporting period	**329.1**	**488.9**

[1] H 1 2015/16 retroactively adjusted.
Further details are provided under "General information/Accounting policies."

In millions of euros

Consolidated statement of comprehensive income

Consolidated income statement

	04/01–09/30/2015[1]	04/01–09/30/2016	07/01–09/30/2015[1]	07/01–09/30/2016
Revenue	**5,786.7**	**5,407.8**	**2,785.0**	**2,635.4**
Cost of sales	–4,513.6	–4,225.1	–2,167.1	–2,044.0
Gross profit	**1,273.1**	**1,182.7**	**617.9**	**591.4**
Other operating income	166.5	142.8	81.4	64.2
Distribution costs	–514.6	–526.9	–250.5	–259.1
Administrative expenses	–309.0	–293.7	–153.1	–143.6
Other operating expenses	–193.3	–145.1	–92.1	–56.5
Share of profit of entities consolidated according to the equity method	152.4	9.1	3.1	4.9
EBIT	**575.1**	**368.9**	**206.7**	**201.3**
Finance income	15.3	25.4	5.7	11.9
Finance costs	–85.8	–82.9	–36.0	–40.7
Profit before tax	**504.6**	**311.4**	**176.4**	**172.5**
Tax expense	–83.8	–77.7	–45.1	–44.6
Profit after tax	**420.8**	**233.7**	**131.3**	**127.9**
Attributable to:				
Owners of the parent	401.2	224.6	119.9	123.6
Non-controlling interests	8.3	–2.2	5.7	–1.4
Share planned for hybrid capital owners	11.3	11.3	5.7	5.7
Basic and diluted earnings per share (euros)	**2.29**	**1.28**	**0.68**	**0.70**

[1] H 1 2015/16 retroactively adjusted.
Further details are provided under “General information/Accounting policies.”

In millions of euros

Consolidated statement of comprehensive income

Consolidated other comprehensive income

	04/01–09/30/2015[1]	04/01–09/30/2016	07/01–09/30/2015[1]	07/01–09/30/2016
Profit after tax	**420.8**	**233.7**	**131.3**	**127.9**
Items of other comprehensive income that will be reclassified subsequently to profit or loss				
Cash flow hedges	–19.4	4.3	–1.3	–0.3
Net investment hedges	–7.6	–	–2.0	–
Currency translation	–94.6	17.7	–61.1	–8.0
Share of result of entities consolidated according to the equity method	–3.7	–0.2	–1.0	–0.1
Subtotal of items of other comprehensive income that will be reclassified subsequently to profit or loss	**–125.3**	**21.8**	**–65.4**	**–8.4**
Items of other comprehensive income that will not be reclassified subsequently to profit or loss				
Actuarial gains/losses	59.9	–95.9	59.9	–24.9
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	**59.9**	**–95.9**	**59.9**	**–24.9**
Other comprehensive income for the period, net of income tax	**–65.4**	**–74.1**	**–5.5**	**–33.3**
Total comprehensive income for the period	**355.4**	**159.6**	**125.8**	**94.6**
Attributable to:				
Owners of the parent	340.4	151.0	116.5	90.4
Non-controlling interests	3.7	–2.7	3.6	–1.5
Share planned for hybrid capital owners	11.3	11.3	5.7	5.7
Total comprehensive income for the period	**355.4**	**159.6**	**125.8**	**94.6**

[1] H 1 2015/16 retroactively adjusted.
Further details are provided under “General information/Accounting policies.”

In millions of euros

Consolidated statement of changes in equity

	H 1 2015/16[1]			H 1 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	351.7	3.7	355.4	162.3	–2.7	159.6
Dividends to shareholders	–174.8	–38.7	–213.5	–183.7	–16.9	–200.6
Tax effect on transactions with hybrid capital owners	3.8	–	3.8	3.8	–	3.8
Capital increase	85.3	–	85.3	–	–	–
Share-based payment	–1.0	–	–1.0	–1.4	–	–1.4
Other changes	4.7	174.7	179.4	–1.5	–1.0	–2.5
Equity as of September 30	**5,320.3**	**204.1**	**5,524.4**	**5,450.9**	**159.6**	**5,610.5**

[1] H 1 2015/16 retroactively adjusted.
Further details are provided under “General information/Accounting policies.”

In millions of euros

voestalpine AG

Notes

General information/accounting policies

These interim consolidated financial statements of voestalpine AG as of September 30, 2016 for the first half of the business year 2016/17 were prepared in accordance with IAS 34 – Interim Financial Reporting. The accounting policies are unchanged from the annual consolidated financial statements for the business year 2015/16 with the following exceptions:

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

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

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

There were no material effects of the new and revised standards on voestalpine AG's interim consolidated financial statements.

The following three issues were adjusted retroactively in the first half of the business year 2015/16 according to IAS 8:

- As a result of changes to the Austrian AFRAC Opinion "Auswirkungen der steuerlichen Teilwertabschreibung nach § 12 Abs. 3 Z 2 KStG auf die Bilanzierung von Ertragsteuern nach IAS 12 in einem Konzern- oder separaten Einzelabschluss nach IFRS" (Impact of the write-down to current value for tax purposes in accordance with Section 12 (3) (2) of the Austrian Corporation Tax Act (KStG) on accounting for income taxes in accordance with IAS 12 in consolidated or single entity financial statements in accordance with IFRS) no provisions have to be considered for anticipated write-ups.
- In addition, deferred taxes are also netted for all companies per tax group.
- Provisions were formed for the first time for obligations similar to pension payments for a South American subsidiary.

Change in the consolidated statement of financial position

04/01/2015 = 03/31/2015	Values without restatement	Adjustments	Values retroactively adjusted
Total assets	**13,294.9**	**–90.2**	**13,204.7**
thereof Deferred tax assets	328.9	–90.2	238.7
Total equity and liabilities	**13,294.9**	**–90.2**	**13,204.7**
thereof Equity	5,102.5	12.5	5,115.0
thereof Pensions and other employee obligations	1,252.2	15.1	1,267.3
thereof Deferred tax liabilities	180.9	–117.8	63.1

In millions of euros

Change in the consolidated statement of financial position

09/30/2015	Values without restatement	Adjustments	Values retroactively adjusted
Total assets	**13,548.9**	**–103.3**	**13,445.6**
thereof Deferred tax assets	339.9	–103.3	236.6
Total equity and liabilities	**13,548.9**	**–103.3**	**13,445.6**
thereof Equity	5,509.4	15.0	5,524.4
thereof Pensions and other employee obligations	1,202.3	12.7	1,215.0
thereof Deferred tax liabilities	234.9	–131.0	103.9

In millions of euros

Change in the consolidated statement of cash flows

04/01 – 09/30/2015	Values without restatement	Adjustments	Values retroactively adjusted
Operating activities			
Profit after tax	420.6	0.2	420.8
Non-cash expenses and income	169.6	–0.2	169.4
Changes in working capital	–42.5	0.0	–42.5
Cash flows from operating activities	**547.7**	**0.0**	**547.7**
Cash flows from investing activities	**–665.7**	**0.0**	**–665.7**
Cash flows from financing activities	**–9.0**	**0.0**	**–9.0**
Net decrease/increase in cash and cash equivalents	**–127.0**	**0.0**	**–127.0**
Cash and cash equivalents, beginning of reporting period	464.5	0.0	464.5
Net exchange differences	–8.4	0.0	–8.4
Cash and cash equivalents, end of reporting period	**329.1**	**0.0**	**329.1**

In millions of euros

Change in the consolidated income statement

04/01–09/30/2015	Values without restatement	Adjustments	Values retroactively adjusted
Revenue	**5,786.7**	**0.0**	**5,786.7**
Cost of sales	–4,513.5	–0.1	–4,513.6
Gross profit	**1,273.2**	**–0.1**	**1,273.1**
Other operating income	166.5	0.0	166.5
Distribution costs	–514.6	0.0	–514.6
Administrative expenses	–308.9	–0.1	–309.0
Other operating expenses	–193.3	0.0	–193.3
Share of profit of entities consolidated according to the equity method	152.4	0.0	152.4
EBIT	**575.3**	**–0.2**	**575.1**
Finance income	15.3	–0.0	15.3
Finance costs	–84.9	–0.9	–85.8
Profit before tax	**505.7**	**–1.1**	**504.6**
Tax expense	–85.1	1.3	–83.8
Profit after tax	**420.6**	**0.2**	**420.8**
Attributable to:			
Owners of the parent	401.0	0.2	401.2
Non-controlling interests	8.3	0.0	8.3
Share planned for hybrid capital owners	11.3	0.0	11.3
Basic and diluted earnings per share (euros)	**2.29**	**0.0**	**2.29**

In millions of euros

Change in the consolidated other comprehensive income

04/01–09/30/2015	**Values without restatement**	**Adjustments**	**Values retroactively adjusted**
Profit after tax	**420.6**	**0.2**	**420.8**
Items of other comprehensive income that will be reclassified to profit or loss			
Cash flow hedges	–19.4	0.0	–19.4
Net investment hedges	–7.6	0.0	–7.6
Currency translation	–96.9	2.3	–94.6
Share of result of entities consolidated according to the equity method	–3.7	0.0	–3.7
Subtotal of items of other comprehensive income that will be reclassified to profit or loss	**–127.6**	**2.3**	**–125.3**
Items of other comprehensive income that will not be reclassified to profit or loss			
Actuarial gains/losses	59.9	0.0	59.9
Subtotal of items of other comprehensive income that will not be reclassified to profit or loss	**59.9**	**0.0**	**59.9**
Other comprehensive income for the period, net of income tax	**–67.7**	**2.3**	**–65.4**
Total comprehensive income for the period	**352.9**	**2.5**	**355.4**
Attributable to:			
Owners of the parent	337.9	2.5	340.4
Non-controlling interests	3.7	0.0	3.7
Share planned for hybrid capital owners	11.3	0.0	11.3
Total comprehensive income for the period	**352.9**	**2.5**	**355.4**

In millions of euros

Change in the consolidated income statement

07/01–09/30/2015	Values without restatement	Adjustments	Values retroactively adjusted
Revenue	**2,785.0**	**0.0**	**2,785.0**
Cost of sales	–2,167.1	–0.0	–2,167.1
Gross profit	**617.9**	**–0.0**	**617.9**
Other operating income	81.4	0.0	81.4
Distribution costs	–250.5	0.0	–250.5
Administrative expenses	–153.0	–0.1	–153.1
Other operating expenses	–92.1	0.0	–92.1
Share of profit of entities consolidated according to the equity method	3.1	0.0	3.1
EBIT	**206.8**	**–0.1**	**206.7**
Finance income	5.7	–0.0	5.7
Finance costs	–35.6	–0.4	–36.0
Profit before tax	**176.9**	**–0.5**	**176.4**
Tax expense	–45.7	0.6	–45.1
Profit after tax	**131.2**	**0.1**	**131.3**
Attributable to:			
Owners of the parent	119.8	0.1	119.9
Non-controlling interests	5.7	0.0	5.7
Share planned for hybrid capital owners	5.7	0.0	5.7
Basic and diluted earnings per share (euros)	**0.68**	**0.0**	**0.68**

In millions of euros

Change in the consolidated other comprehensive income

07/01–09/30/2015	**Values without restatement**	**Adjustments**	**Values retroactively adjusted**
Profit after tax	**131.2**	**0.1**	**131.3**
Items of other comprehensive income that will be reclassified to profit or loss			
Cash flow hedges	–1.3	0.0	–1.3
Net investment hedges	–2.0	0.0	–2.0
Currency translation	–63.5	2.4	–61.1
Share of result of entities consolidated according to the equity method	–1.0	0.0	–1.0
Subtotal of items of other comprehensive income that will be reclassified to profit or loss	**–67.8**	**2.4**	**–65.4**
Items of other comprehensive income that will not be reclassified to profit or loss			
Actuarial gains/losses	59.9	0.0	59.9
Subtotal of items of other comprehensive income that will not be reclassified to profit or loss	**59.9**	**0.0**	**59.9**
Other comprehensive income for the period, net of income tax	**–7.9**	**2.4**	**–5.5**
Total comprehensive income for the period	**123.3**	**2.5**	**125.8**
Attributable to:			
Owners of the parent	114.0	2.5	116.5
Non-controlling interests	3.6	0.0	3.6
Share planned for hybrid capital owners	5.7	0.0	5.7
Total comprehensive income for the period	**123.3**	**2.5**	**125.8**

In millions of euros

Further information on the other principles of preparation is provided in the consolidated financial statements as of March 31, 2016, on which these interim consolidated financial statements are based.

The interim consolidated financial statements are presented in millions of euros (the functional currency of the parent company). The use of automated calculation systems may result in rounding differences.

Unless otherwise stated, comparative information relates to the first half of the business year 2015/16 (reporting date: September 30, 2015).

The present interim consolidated financial statements have not been audited or reviewed by auditors.

Changes in the scope of consolidated financial statements

The changes made in the scope of consolidated financial statements during the reporting period were as follows:

	Full consolidation	Equity method
As of April 1, 2016	**278**	**9**
Acquisitions	1	
Change in consolidation method		
Additions	3	
Disposals		
Reorganizations	–5	
Divestments or disposals	–2	
As of September 30, 2016	**275**	**9**
Of which foreign companies	217	4

The following entities were deconsolidated during the first half 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

In late July, the sale of Kadow & Riese Laser- und Umformtechnik GmbH (part of the Metal Forming Division) was concluded. The company primarily makes sheet-formed parts in the form of prototypes and 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 half of the business year 2016/17:

Name of entity	Interest in %
Full consolidation	
ASSAB Steels Vietnam Company Limited	100.000%
voestalpine Rotec 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%

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

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

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 for 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 7.9 million to consolidated revenue. Its share of the Group's profit after tax was EUR 0.3 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 0.4 million were recognized in other operating expenses for this acquisition.

In the current reporting period, EUR 4.0 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 half of the business year 2016/17, EUR 1.9 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 –1.1 million (2015/16: EUR 0.0 million) were derecognized, and the remaining amount of EUR 0.8 million (2015/16: EUR 2.4 million) was recognized directly in equity.

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

Outstanding put options, which are offset against equity, had a fair value of EUR 0.2 million (March 31, 2016: EUR 0.2 million) as of September 30, 2016.

Subsidiaries with material non-controlling interests

Name of the subsidiary	Domicile	09/30/2015		09/30/2016	
		Proportion of ownership	Proportion of ownership interests held by non-controlling interests	Proportion of ownership	Proportion of ownership interests held by non-controlling interests
voestalpine Tubulars GmbH & Co KG	Kindberg, Austria	49.8875%	50.1125%	49.8875%	50.1125%
CNTT Chinese New Turnout Technologies Co., Ltd.	Qinhuangdao, China	50.0000%	50.0000%	50.0000%	50.0000%

In the reporting period, the total of all non-controlling interests amounts to EUR 159.6 million (September 30, 2015: EUR 204.1 million), of which EUR 82.1 million (September 30, 2015: EUR 113.3 million) is attributable to voestalpine Tubulars GmbH & Co KG and EUR 25.0 million (September 30, 2015: EUR 31.7 million) is attributable to CNTT Chinese New Turnout Technologies Co., Ltd. The remaining non-controlling interests, seen individually, can be considered immaterial for the Group.

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

Summarized statement of financial position

	voestalpine Tubulars GmbH & Co KG		CNTT Chinese New Turnout Technologies Co., Ltd.	
	09/30/2015	09/30/2016	09/30/2015	09/30/2016
Non-current assets	83.0	104.9	19.4	19.5
Current assets	120.9	90.9	97.5	103.2
Non-current provisions and liabilities	34.6	30.7	0.1	0.9
Current provisions and liabilities	50.2	65.2	56.6	73.3
Net assets (100%)	**119.1**	**99.9**	**60.2**	**48.5**

In millions of euros

Summarized income statement

	voestalpine Tubulars GmbH & Co KG		CNTT Chinese New Turnout Technologies Co., Ltd.	
	04/01–09/30/2015	04/01–09/30/2016	04/01–09/30/2015	04/01–09/30/2016
Revenue	197.6	102.4	45.9	43.4
EBIT	20.8	–10.8	12.3	10.6
Profit after tax	24.9	–11.2	9.3	7.9
Attributable to:				
Equity holders of the parent	12.4	–5.6	4.7	4.0
Non-controlling interests	12.5	–5.6	4.7	4.0
Dividends paid to non-controlling interests	31.0	5.2	0.0	4.5

In millions of euros

Summarized statement of cash flows

	voestalpine Tubulars GmbH & Co KG		CNTT Chinese New Turnout Technologies Co., Ltd.	
	04/01–09/30/2015	04/01–09/30/2016	04/01–09/30/2015	04/01–09/30/2016
Cash flows from operating activities	26.0	12.3	7.0	11.9
Cash flows from investing activities	34.4	–18.7	–0.3	–0.4
thereof additions/divestments of other financial assets	53.6	0.0	0.0	0.0
Cash flows from financing activities	–60.5	6.4	0.0	–5.4
Net decrease/increase in cash and cash equivalents	**–0.1**	**0.0**	**6.7**	**6.1**

In millions of euros

Investments in associates and joint ventures

Shares in immaterial joint ventures

Profits from the joint ventures, which are individually immaterial for the voestalpine interim consolidated financial statements, are included using the equity method. This information is related to the interest held by the voestalpine Group in immaterial joint ventures and breaks down as follows:

	04/01–09/30/2015	04/01–09/30/2016
Group share of		
Profit after tax	0.0	0.3
Other comprehensive income	–0.2	–0.1
Comprehensive income	**–0.2**	**0.2**
Carrying amount immaterial joint ventures	**3.3**	**3.5**

In millions of euros

Shares in immaterial associates

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

	04/01–09/30/2015	04/01–09/30/2016
Group share of		
Profit after tax	6.5	8.8
Other comprehensive income	–2.5	–0.1
Comprehensive income	**4.0**	**8.7**
Carrying amount immaterial associates	**119.9**	**100.9**

In millions of euros

Notes on the consolidated statement of financial position

In the first half of the business year 2016/17, actual investments amounting to EUR 470.7 million exceeded depreciation totaling EUR 336.0 million. This essentially led to an increase in non-current assets from EUR 8,389.6 million to EUR 8,569.6 million. Due primarily to an operational increase in inventories (see consolidated cash flow statement), the carrying amount of the inventories on the reporting date compared to March 31, 2016 rose by EUR 89.0 million.

As of September 30, 2016, voestalpine AG's share capital amounted to EUR 317,851,287.79 (March 31, 2016: EUR 317,851,287.79) and is divided into 174,949,163 shares (March 31, 2016: 174,949,163). The Company held 28,597 of its own shares as of the reporting date. In the first half of the business year 2016/17, the Company neither bought nor sold any of its own shares.

In the business year 2012/13, voestalpine AG issued a new subordinated bond with an indefinite term (hybrid bond 2013) with a volume of EUR 500 million. As the hybrid bond satisfies the IAS 32 criteria for equity, the proceeds from the bond issue are recognized as part of equity. Accordingly, coupon payments are also reported as part of appropriation of profit. The issue costs of the hybrid bond 2013 amounted to EUR 2.8 million, less EUR 0.7 million in tax effects. Therefore, equity increased by EUR 497.9 million in the business year 2012/13.

Despite a positive profit after tax amounting to EUR 233.7 million, equity was reduced to EUR 5,610.5 million due mainly to dividend distribution and a negative actuarial result. For the business year 2015/16, a dividend per share of EUR 1.05 was decided upon at the Annual General Meeting on July 6, 2016. Therefore, voestalpine AG distributed dividends amounting to EUR 183.7 million to its shareholders in the current business year.

Provisions for pensions, severance, and long-service bonus obligations are taken into account for the interim consolidated financial statements based on an expert opinion on the forecast for the entire current business year 2016/17. If significant changes of the parameters occur during the year, a reassessment of the net debt is carried out.

Despite a positive performance of the pension fund of 7.0% during the current business year, a reduction of the discount interest rate from 1.9% to 1.2% resulted in an increase overall of the provisions for pension and severance obligations and consequently in an actuarial loss of EUR 95.9 million (after deferred taxes). This also resulted in an increase of the provisions for long-service bonus obligations amounting to EUR 8.9 million and a loss recognized in the income statement (after deferred taxes) amounting to EUR 6.7 million.

Notes on the consolidated income statement

Revenue for the period from April 1 to September 30, 2016, in the amount of EUR 5,407.8 million decreased by 6.5% compared to the same period of the preceding year (EUR 5,786.7 million). In the first half of the business year 2016/17, EBIT reached EUR 368.9 million compared to EUR 575.1 million for the same period of the preceding year. EBIT equaled EUR 201.3 million for the second quarter of 2016/17, compared to EUR 206.7 million for the second quarter of 2015/16. After consideration of the financial result and taxes, profit after tax amounted to EUR 233.7 million compared to EUR 420.8 million for the same period of the preceding year.

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

	04/01–09/30/2015	04/01–09/30/2016
Profit attributable to equity holders of the parent (in millions of euros)	401.2	224.6
Weighted average number of outstanding ordinary shares (millions)	174.9	174.9
Diluted and basic (undiluted) earnings per share (euros)	**2.29**	**1.28**

Operating segments

The following table contains information on the operating segments of the voestalpine Group for the first half of the business year 2016/17 and business year 2015/16, respectively:

Operating segments

	Steel Division		Special Steel Division		Metal Engineering Division	
	04/01–09/30/2015	04/01–09/30/2016	04/01–09/30/2015	04/01–09/30/2016	04/01–09/30/2015	04/01–09/30/2016
Segment revenue	1,990.8	1,776.1	1,368.8	1,306.0	1,525.3	1,332.5
of which revenue with third parties	1,841.1	1,630.7	1,342.1	1,281.6	1,504.9	1,313.8
of which revenue with other segments	149.7	145.4	26.7	24.4	20.4	18.7
EBITDA	253.2	230.8	186.1	193.5	336.1	172.0
EBIT	132.7	97.1	117.7	121.6	258.4	95.5
EBIT margin	6.7%	5.5%	8.6%	9.3%	16.9%	7.2%
Segment assets	4,562.6	4,847.9	3,865.1	3,901.3	3,139.3	3,120.7
Employees (full-time equivalent)	11,054	10,928	13,434	13,573	13,080	12,709

	Metal Forming Division		Other		Reconciliation		Total Group	
	04/01–09/30/2015	04/01–09/30/2016	04/01–09/30/2015	04/01–09/30/2016	04/01–09/30/2015	04/01–09/30/2016	04/01–09/30/2015	04/01–09/30/2016
	1,106.4	1,188.0	471.8	502.5	–676.4	–697.3	5,786.7	5,407.8
	1,091.9	1,172.2	6.7	9.5	0.0	0.0	5,786.7	5,407.8
	14.5	15.8	465.1	493.0	–676.4	–697.3	0.0	0.0
	138.3	153.4	–31.5	–43.0	9.9	–1.8	892.1	704.9
	91.5	103.3	–35.1	–46.8	9.9	–1.8	575.1	368.9
	8.3%	8.7%					9.9%	6.8%
	1,998.0	2,087.9	10,181.1	10,176.7	–10,300.5	–10,059.7	13,445.6	14,074.8
	10,314	10,724	837	852	0	0	48,719	48,786

In millions of euros

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

EBITDA

	04/01–09/30/2015	04/01–09/30/2016
Net exchange differences incl. result from valuation of derivatives	12.2	0.0
Consolidation	–2.3	–1.8
EBITDA – Total reconciliation	**9.9**	**–1.8**

In millions of euros

EBIT

	04/01–09/30/2015	04/01–09/30/2016
Net exchange differences incl. result from valuation of derivatives	12.2	0.0
Consolidation	–2.3	–1.8
EBIT – Total reconciliation	**9.9**	**–1.8**

In millions of euros

All other key figures contain solely the effects of consolidation.

Notes on the consolidated statement of cash flows

Non-cash expenses and income include depreciation (including financial assets) in the amount of EUR 332.7 million. Taking the change in working capital into consideration, cash flows from operating activities amounted to EUR 450.3 million in comparison to EUR 547.7 million in the first half of the preceding year; this represents a decrease of about 18%. After the deduction of EUR 537.3 million in cash flows from investing activities and taking into account cash flows from financing activities amounting to EUR –200.3 million (mainly dividends), the resulting change in cash and cash equivalents (without net exchange differences) amounts to EUR –287.3 million.

Notes on financial instruments

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

	09/30/2015		09/30/2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Financial assets measured at amortized cost	1,869.0	1,869.0	2,087.4	2,087.4
Financial assets measured at fair value	462.0	462.0	423.8	423.8
	2,331.0	**2,331.0**	**2,511.2**	**2,511.2**
Liabilities				
Financial liabilities measured at amortized cost	5,875.4	5,979.4	6,264.5	6,389.2
Financial liabilities measured at fair value	17.1	17.1	17.0	17.0
	5,892.5	**5,996.5**	**6,281.5**	**6,406.2**

In millions of euros

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

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

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

Inputs

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

Level of the fair value hierarchy for recurring fair value measurements

	Level 1	Level 2	Level 3	Total
09/30/2016				
Financial assets				
Financial assets measured at fair value through profit or loss				
Held for trading (derivatives)		12.9		12.9
Fair value option (securities)	378.8			378.8
Available for sale at fair value			32.1	32.1
	378.8	**12.9**	**32.1**	**423.8**
Financial liabilities				
Financial liabilities measured at fair value through profit or loss – Held for trading (derivatives)		17.0		17.0
	0.0	**17.0**	**0.0**	**17.0**
09/30/2015				
Financial assets				
Financial assets measured at fair value through profit or loss				
Held for trading (derivatives)		15.1		15.1
Fair value option (securities)	410.2			410.2
Available for sale at fair value			36.7	36.7
	410.2	**15.1**	**36.7**	**462.0**
Financial liabilities				
Financial liabilities measured at fair value through profit or loss – Held for trading (derivatives)		17.1		17.1
	0.0	**17.1**	**0.0**	**17.1**

In millions of euros

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

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

There were no transfers between Level 1 and Level 2, nor any reclassifications into or out of Level 3, during the reporting period. The reconciliation of Level 3 financial assets measured at fair value from the opening balance to the closing balance is depicted as follows:

Level 3 – Available for sale at fair value

	04/01–09/30/2015	04/01–09/30/2016
Opening balance	**36.7**	**32.1**
Closing balance	**36.7**	**32.1**

In millions of euros

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

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

Seasonality and cyclicality

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

Business transactions with associated companies or parties

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

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

Antitrust proceedings

As of September 30, 2016, the provisions recognized in the annual financial statements 2015/16 in the amount of EUR 43.1 million for the antitrust proceedings and associated actions and costs relative to railway superstructure material as well as for the closure of TSTG Schienen Technik GmbH & Co KG have been reduced to EUR 38.6 million due to the use of these provisions.

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

Provisions and contingent liabilities

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

Events after the reporting period

No significant events have occurred after the reporting period.

Statement in accordance with Sec. 87 (1) of the Stock Exchange Act (Börsegesetz, BörseG)

The Management Board of voestalpine AG confirms to the best of its knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the applicable accounting standards and that the Group Management Report gives a true and fair view of important events that have occurred during the first six months of the business year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the business year, and of the major related party transactions to be disclosed.

Linz, November 2, 2016

The Management Board

Wolfgang Eder	Herbert Eibensteiner	Franz Kainersdorfer
Chairman of the Management Board	Member of the Management Board	Member of the Management Board
Robert Ottel	Franz Rotter	Peter Schwab
Member of the Management Board	Member of the Management Board	Member of the Management Board

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

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Senior editor and editorial staff: voestalpine AG, Investor Relations
T. +43/50304/15-9949, F. +43/50304/55-5581, IR@voestalpine.com, www.voestalpine.com
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voestalpine AG
voestalpine Strasse 1
4020 Linz, Austria
T. +43/50304/15-0
F. +43/50304/55+Ext.
www.voestalpine.com

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