REPORT OF THE MANAGEMENT BOARD

MANAGEMENT REPORT 2016/17

This Consolidated Management Report refers to the Consolidated Financial Statements which were prepared in accordance with the International Financial Reporting Standards (IFRS) as mandated by Section 245a (1) of the Austrian Commercial Code (UGB).

REPORT ON THE GROUP'S BUSINESS PERFORMANCE AND THE ECONOMIC SITUATION

The market environment in the business year 2016/17 was even more strongly marked by political events than in the previous years. Apart from the military conflicts in the Middle East, and above all the war in Syria and the resulting migration flows and the ISIS terror in Europe, unexpected political developments were also on the rise in established countries, such as the BREXIT vote in the UK, and the election of Donald Trump as president of the Unites States, or the establishment of a presidential system in Turkey. At the economic level, besides the erection of trade barriers associated with increasing protectionist ambitions in more and more countries worldwide, another decisive event was the fiscal policy change by the US Federal Reserve (FED), which gradually moved back toward a normalization of interest rate policy in the past business year.

The global economy grew by about 3% in the calendar year 2016, mainly driven by the Asian market, while the developed economies maintained their rather modest growth trend.

EUROPE

In 2016, Europe experienced a moderate growth trend that accelerated at the beginning of 2017 and thus leaves a rather solid macro-economic environment to be expected for the business year 2017/18.

In 2016/17, the overall economic growth in Europe was predominantly driven by consumer spending and backed throughout the year by low energy prices (oil prices), moderate inflation, and declining unemployment.

In comparison, investment activities contributed significantly less to the overall promising economic growth. On the one hand, many industry sectors still had free capacities in the past year that made investments in new facilities unnecessary; on the other hand, the focus in the industry remains primarily on increasing efficiencies rather than on investing in expansions. This trend is also reflected in the persistently weak credit demand from the industry in the past year. Even the retention of the extremely expansive fiscal policies of the European Central Bank could not provide any investment incentives to stimulate growth.

However, in Europe this low-interest-rate policy enabled several countries to reduce their debt burden which would allow for slightly more expansive fiscal policies on a national level. In fact, public sector spending in the business year 2016/17 affected the growth only marginally.

In this environment, the voestalpine Group benefited from the consistently positive performance of the automotive industry and a stable and robust economic situation in the consumer goods sector. The aerospace industry also continued its positive trend, while the construction sector still reported rather modest tendencies. In the second half of 2016, the railway infrastructure sector was faced with an increasingly weakening demand in Europe, which continued into the

beginning of 2017. In comparison, after a longer lean period, the oil and gas industry saw recovery tendencies in the course of the year that continued to strengthen in the last business quarter.

NORTH AMERICA

After increasingly strong indications of a slowing economic momentum in North America at the end of the business year 2015/16, the US GDP only grew by a relatively moderate 1.6% in 2016. In particular, the prolonged low oil price and decreasing raw materials prices until the middle of the business year squeezed the growth rates in that region. This not only resulted in declining exports, but also had collateral effects on investments and the transport industry, particularly the railway infrastructure sector which cooled down significantly at first, but was able to stabilize again in the later part of the business year.

Independent of this development, consumer spending continued to be strong, supported by low unemployment rates, consistently positive labor market data and, with that, a healthy spending power, not least due to low energy prices.

In view of the above, the general mood about the economy certainly remained optimistic and even increased a bit after Donald Trump's election as president of the United States in November 2016, who had promised an extensive infrastructure package as well as substantial tax reductions in his campaign speeches.

However, insecurities about their extent, timeline, and financial feasibility as well as the surprising, significant increase of the military budget have since led to growing doubts about the feasibility of his plans. As if to confirm the growing uncertainty, US passenger car sales fell in the first calendar quarter of 2017.

In this albeit volatile, but still rather positive economic environment, the voestalpine Group was affected by the weakness of the oil and gas industry throughout most of the business year, but saw clearly positive impulses originating from that sector again in the second half of the business year. In the railway infrastructure segment, declining investment activities were increasingly noticeable during the course of the year, but cost- and efficiency-based countermeasures were able to contain any negative implications. In contrast, the two other business sectors the voestalpine Group focuses on in the US, the aerospace and automotive industries, showed a very dynamic trend in the course of the year, and the same is true for the consumer goods sector where the tool steel segment is of primary interest to voestalpine. In Canada, the economic growth in the previous business year has been largely unspectacular, although with a slightly improved momentum compared to the previous year. Mexico, also a member of NAFTA, continued to profit from high investments in the automotive and its supply industry, but was subject to increasing insecurities in terms of its future political and economic ties with the US. Overall, however, Mexico reported an economic growth of 2.3%.

SOUTH AMERICA

At the beginning of the business year 2016/17, the most important market for the voestalpine Group in South America, Brazil, was still caught up in a downward trend that has lasted several years and has been marked by a sluggish domestic demand, falling raw material prices and a related decline in exports which was also impacted by the appreciation of the Brazilian currency. In addition to this already challenging environment, came a massive political crisis that led to the removal of the president from office.

This political new beginning on the one hand and a trend reversal starting around the middle of the business year on the other hand, paired with an easing of the currency situation, noticeably slowed the downward trend, even though by the end of the business year a full turnaround was still questionable. The successful reaction of the voestalpine sites in Brazil to this extremely challenging economic environment included rigorous cost reduction and efficiency improvement measures. Finally, the railway infrastructure sector saw first positive impulses due to a rise in raw material prices which prompted the Brazilian mines to invest in their infrastructure.

ASIA

In the business year 2015/16, the critical economic development in China led to considerable uncertainties in terms of the country's future expectations which were still noticeable in the first quarter of the business year 2016/17. But in the course of the summer of 2016, after implementing another recovery package consisting of investments in construction, infrastructure and real estate in conjunction with fiscal measures and an easing of the monetary policy, China returned to its usual growth rates.

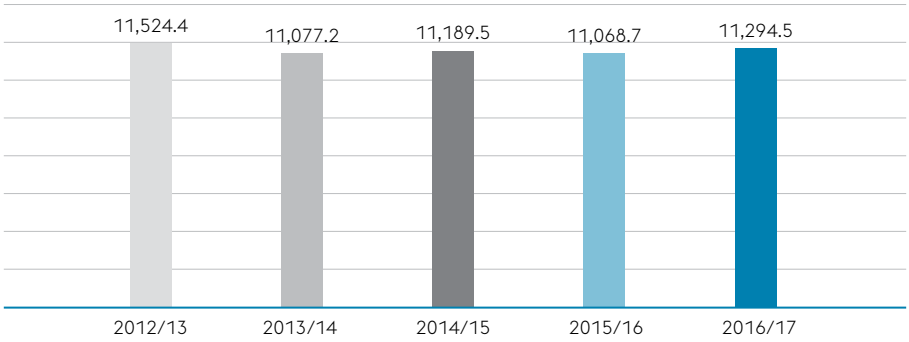
Subsequently, the growth expanded and included industrial production which led to increased exports and ultimately to a solid economic growth of 6.7% in the calendar year 2016.
However, in the meantime, these exports in particular have resulted in the establishment of trade restrictions in many parts of the world, a situation that is considered a major risk for China's further development and demands wide-ranging corrective measures from the country's political leadership, primarily in the steel industry. Such measures have already been frequently announced and their initiation reported. However, to what extent they have actually been implemented and thus will lead to a better balance of supply and demand remains to be seen.
The voestalpine locations in China focus on the railway infrastructure, automotive industry and consumer goods, all of them industrial sectors that have seen a promising demand situation in the previous business year.
In India, the voestalpine Group is represented in the welding technology segment, in the production of components for the railway infrastructure, and also operates sales offices for tool steel. India is considered one of the most promising future growth markets and saw a considerable economic growth of almost 8% in 2016, which prevailed despite a rather controversial large-scale reform of the monetary system.

BUSINESS PERFORMANCE OF THE DIVISIONS

The environment of the voestalpine Steel Division was marked by a very good demand situation in the past business year, but also by the high volatility of the raw materials market, which reached unprecedented proportions particularly for metallurgical coal. Due to the high import volumes at questionably low prices for commodity steel products, anti-dumping duties were introduced even in Europe, primarily against China, after most of the rest of the world had previously taken corresponding defensive measures.
Despite this challenging situation, the voestalpine Steel Division not only managed to sell a new record volume of products, but also established continuous price increases in the course of the year, most particularly in the fourth and thus last business quarter. The background to this was a stable and good demand situation in almost all market segments with the automotive industry being the strongest driver once again. In terms of results, this was a significant success with regard to quarterly earnings in the course of the business year 2016/17 after a slow start. In view of the above and compared to the previous year, the division clearly gained, both in EBITDA as well as in EBIT.
At the beginning of the new business year, the former Special Steel Division was renamed High Performance Metals Division, which describes the activities of this division much more clearly. This traditionally very globally positioned division was confronted with varying regional economic developments in the business year 2016/17. However, the demand situation for tool steel as well as special materials overall remained solid and even gained slightly compared to the previous year. The demand in the market segments automotive, consumer goods and aerospace were solid practically worldwide, while the trend in mechanical engineering varied and the oil and gas industry showed a slight revival after a longer lean period. Viewed regionally, the markets in the mature economies in Europe and North America saw solid growth albeit with a modest momentum overall, while in Asia and particularly in China the demand for tool steel and special alloys accelerated further. In Brazil, the most important market in South America where the division operates a large production facility, a recession could not be circumvented in 2016 and thus led to a low demand situation, despite a slight upward trend toward the end of the year. In terms of results, the High Performance Metals Division clearly exceeded the levels of the previous year.
In the course of the year, the earnings performance of the Metal Engineering Division appears relatively stable due to balanced internal portfolio effects, despite the growth differences in the individual segments. Overall, this division was not able to yield the results of the previous year, because, for one, these were based on positive non-recurring effects due to consolidation changes during the same period of the previous year and secondly, because of the persistently weak trend in the oil and gas industry throughout the first half of the year. In the railway infrastructure segment, the trend in Europe was practically the opposite: Starting from a substantial base, the demand for rails dropped more and more toward the end of the business year. For turnouts, this trend could largely be kept at bay due to the segment's global positioning and especially the high demand coming from China. After a successful

REVENUE OF THE voestalpine GROUP

In millions of euros



reorganization, the Welding Consumables segment reports significantly improved earnings for 2016/17 in comparison with the previous year, despite the still rather low market momentum. The highlight in the Wire Technology segment was the successful commissioning of the new wire rod mill. In terms of demand, this segment was marked by the consistently positive performance of the automobile industry.

The successful implementation of the Metal Forming Division's international growth strategy is reflected in a continuous growth in revenue and earnings, thus raising the profits in the business year 2016/17 once again compared to the previous year. This trend was supported by the consistently positive performance of the automotive industry, particularly in Europe and Asia, while the market in North America took a lateral move despite its high level based on the increases over the past years. The Warehouse and Rack Solutions segment was marked by a continuously positive project landscape. Similarly excellent was also the trend in the Precision Strip segment which, besides the strong market growth, also profited from its continuously improving market position. The Tubes and Sections business segment on the other hand reported an inconsistent market trend. Despite the Brexit vote, the demand in the UK remained robust, while the situation in the core European markets was rather average.

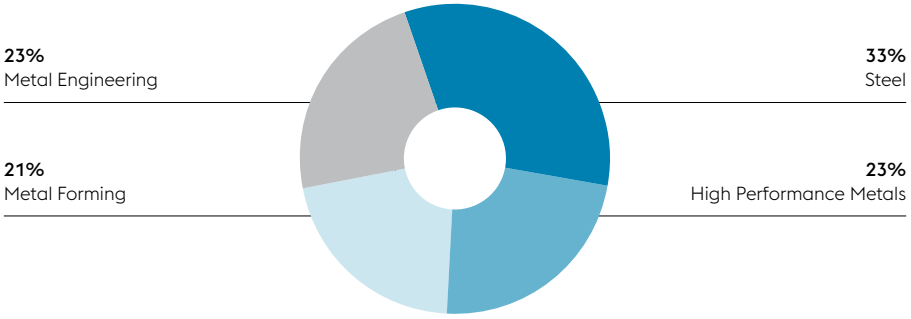
REPORT ON THE FINANCIAL KEY PERFORMANCE INDICATORS OF THE voestalpine GROUP

REVENUE AND OPERATING RESULT

In the business year 2016/17, the revenue generated by the voestalpine Group was EUR 11,294.5 million, 2.0% above the previous year's figure of EUR 11,068.7 million. Revenue in the Metal Engineering Division was down on the previous year due to economic factors—first and foremost as a result of the weak market environment in the oil and gas industry as well as a low investment appetite in the European rail sector. In contrast, the other three divisions all posted revenue growth, especially the Steel Division. Apart from the strong overall growth in demand in the second half of 2016/17, sales for the first time also included delivery volumes of HBI (sponge iron) from the new plant in Texas to external customers as well in the past business year. Higher deliveries in the High Performance Metals Division (formerly the Special Steel Division) saw a slight increase in revenue despite somewhat lower prices than in the previous year. The figures for the Metal Forming Division reflect the ongoing implementation of the internationalization strategy, not least in the significant revenue growth compared to the previous year. The acquisition of Summo Corp., Canada, which specializes in tube components for the automotive industry, also had a positive impact. The company has been included in the division's financial statements since the second quarter of 2016/17.

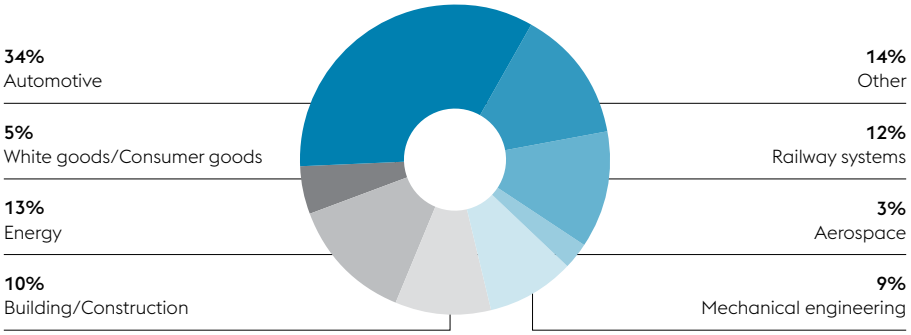
REVENUE BY DIVISIONS

As percentage of total divisional revenue, business year 2016/17



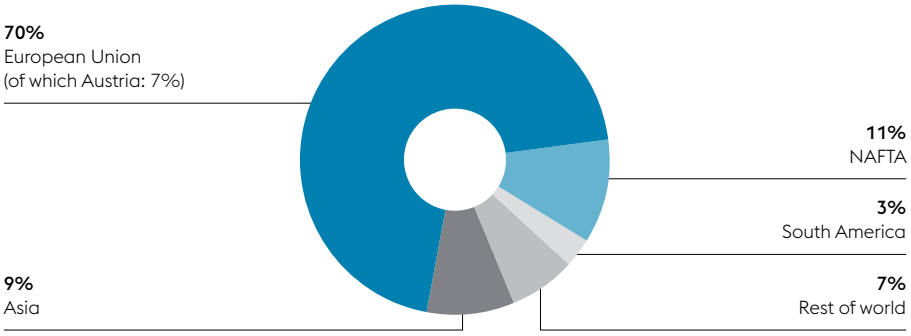
REVENUE BY INDUSTRIES

As percentage of Group revenue, business year 2016/17



REVENUE BY REGIONS

As percentage of Group revenue, business year 2016/17

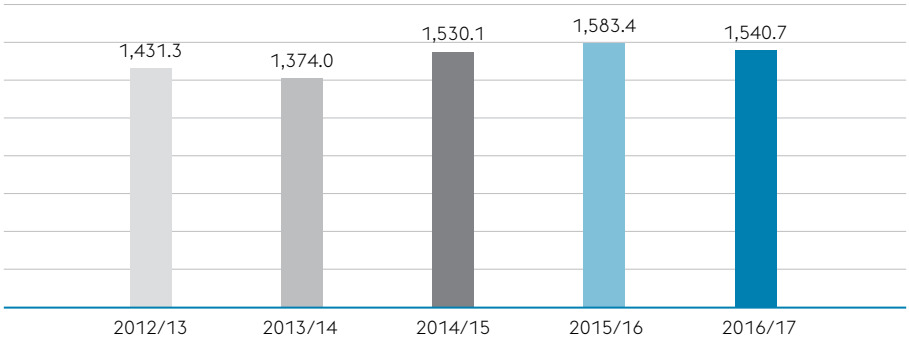


The consolidated operating result (EBITDA) declined by 2.7% in the past business year, from EUR 1,583.4 million in 2015/16 to EUR 1,540.7 million. However, the figures for the previous year (reported in accordance with IFRS) include significant non-recurring effects from non-operating activities. This non-recurring income was due to the first-time full consolidation of companies in the Metal Engineering Division in the annual financial statements for 2015/16 (due to the required fair value measurement and the depreciation of the disclosed hidden reserves) previously included using the equity method. As a result of the change in the method of consolidation (see the Annual Report 2015/16 for more information), the consolidated figures for the previous year include non-recurring effects that increased the operating result (EBITDA) by EUR 137.6 million and profit from operations (EBIT) by EUR 74.4 million. The change in consolidation did not have any further effect on EBITDA in the business year 2016/17. In contrast, EBIT again declined by EUR 16.6 million in connection with the remeasurement of the fair value depreciation of disclosed hidden reserves. Excluding all non-recurring effects, EBITDA increased by 6.6% from EUR 1,445.8 million to EUR 1,540.7 million in a year-over-year comparison. The adjusted EBITDA margin rose from 13.1% in the previous year to 13.6%, only slightly lower than the target operating margin for 2020/21 of 14%.

Apart from the Metal Engineering Division, where earnings declined as a result of economic factors, all divisions significantly increased EBITDA in the past business year. In the Steel Division, strong demand for high-quality strip steel and the resulting substantial volume growth, coupled with rising prices over the course of the year, more than offset the negative earnings effects (reduced performance of blast furnace 5 as a result of fine-tuning adjustments to the coal injection system, financial provisions for the Nord Stream II heavy plate project due to rising raw materials prices, start-up losses at the HBI plant in Texas). The Steel Division thus posted the strongest earnings increases in the Group, due not least to the extremely successful cost optimization and efficiency improvement measures in recent years. The High Performance Metals Division (formerly the Special Steel Division) defied weaknesses in the oil and gas sector and—from a regional perspective—the ongoing recession in Brazil and also significantly increased EBITDA. The division was buoyed by a stable, solid trend in the global automotive industry and favorable overall market conditions in Asia. The improved operating result in the Metal Forming Division is attributable to the continued rise in contributions from internationalization activities as well as outstanding earnings growth in the Precision Strip business segment. In all four divisions, by far the best quarterly result for the business year was achieved in the fourth quarter. Against this backdrop, the voestalpine Group lifted the operating result (EBITDA) in the final quarter of 2016/17 to a level last achieved in the fourth quarter of the business year 2010/11. Reported in accordance with IFRS, profit from operations (EBIT) for 2016/17 came to EUR 823.3 million, down 7.4% on the prior-year figure (EUR 888.8 million). However, after adjustment for

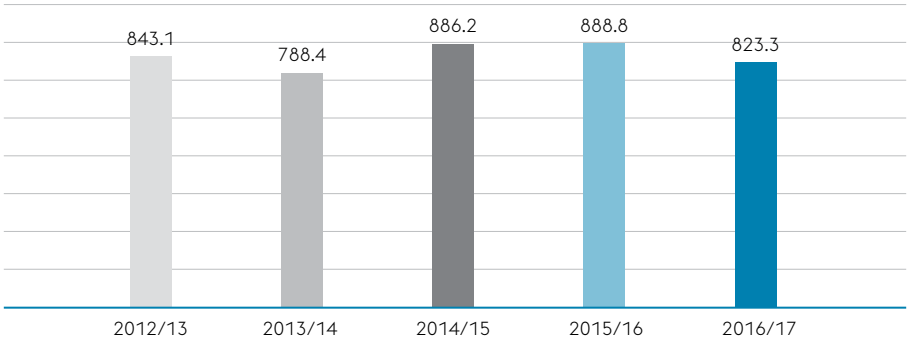
EBITDA

In millions of euros



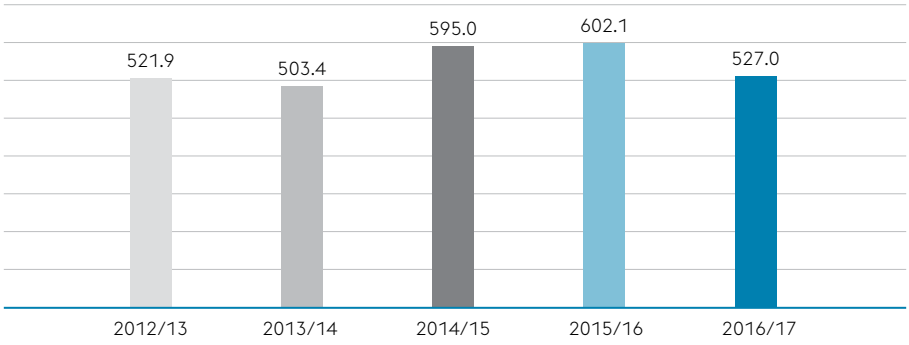
EBIT

In millions of euros



PROFIT AFTER TAX

In millions of euros



non-recurring effects, EBIT improved by 3.1% compared to the previous year, from EUR 814.4 million to EUR 839.9 million. This gives an adjusted EBIT margin of 7.4% for the business year 2016/17, as in the previous year.

PROFIT BEFORE TAX AND PROFIT AFTER TAX

According to the figures published in accordance with IFRS, profit before tax and profit after tax were both down year-over-year in the business year 2016/17. This means that in accordance with IFRS, profit before tax declined by 6.8% from EUR 751.3 million to EUR 699.9 million, while profit after tax fell by 12.5% from EUR 602.1 million to EUR 527.0 million. Excluding non-recurring effects, which totaled EUR 74.5 million in 2015/16 and EUR –16.6 million in 2016/17 for profit before tax, and EUR 92.3 million in 2015/16 and EUR –12.5 million in 2016/17 for profit after tax, the adjusted figures for profit before tax and profit after tax both improved compared to the previous year. Adjusted for non-recurring effects, profit before tax increased by 5.9%, rising from EUR 676.8 million to EUR 716.5 million as a result of the further decline in net interest charges, among other factors. Also adjusted for non-recurring effects, profit after tax rose by 5.8% from EUR 509.8 million to EUR 539.4 million in the same period. Since the positive non-recurring effects in the business year 2015/16 were not taxable, the tax rate in the previous year (based on the reported figures) was only just under 20% (2016/17: 24.7%). In contrast, the adjusted tax rate for the business year 2016/17 was 24.7%, identical to the adjusted prior-year figure.

PROPOSED DIVIDEND

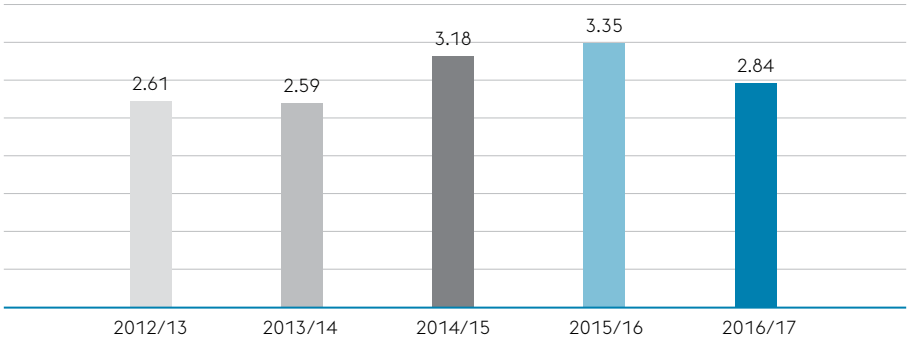
Subject to the approval of the Annual General Meeting of voestalpine AG on July 5, 2017, a dividend of EUR 1.10 per share will be paid to shareholders. This represents an increase of 4.8% compared to the previous year's dividend of EUR 1.05. Based on the earnings per share (reported in accordance with IFRS) of EUR 2.84 (2015/16: EUR 3.35), this recommendation corresponds to a distribution ratio of 39.0% (previous year: 31.4%). Based on the average price of the voestalpine share of EUR 33.62 in the business year 2016/17, the dividend yield is 3.3% (previous year: 3.2%).

GEARING RATIO

After having already declined in the previous year despite record investment in a year-to-year comparison, the voestalpine Group's gearing ratio (net financial debt as a percentage of equity) again decreased in the business year 2016/17 from 54.5% as of March 31, 2016, to 53.2% as of March 31, 2017. This was achieved despite the fact that investment in the past business year was again much higher than the level of depreciation, an increase in net working capital, mainly due to pricing factors, and another increase in the dividend. The long-term level of investment required to focus on the high-end quality segment and to implement the growth-driven internationalization strategy is therefore once again not in contradiction with solid financial growth. Against this backdrop, equity also rose by 7.2% from EUR 5,651.6 million as of March 31, 2016, to EUR 6,060.3 million as of March 31, 2017. Consequently, this also

EPS – EARNINGS PER SHARE

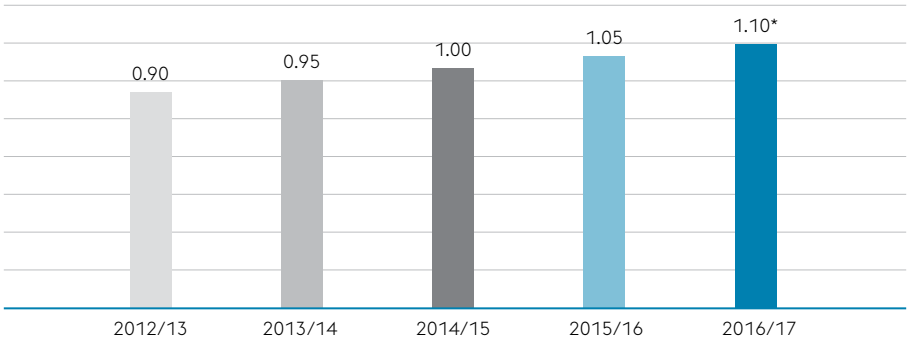
In euros



DIVIDEND PER SHARE

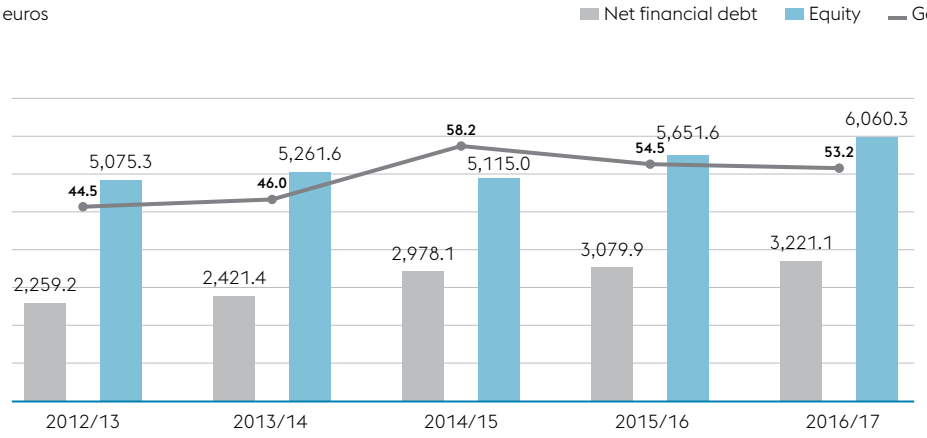
In euros

* As proposed to the Annual General Shareholders' Meeting.



NET FINANCIAL DEBT – EQUITY – GEARING RATIO

In millions of euros



rose at a faster rate than net financial debt, which increased by 4.6% from EUR 3,079.9 million to EUR 3,221.1 million in the same period.

CASH FLOW

Cash flow from operating activities declined by 10.3% from EUR 1,282.2 million in the business year 2015/16 to EUR 1,150.4 million in the business year 2016/17. Including non-cash expenses and income, profit after tax increased significantly while net working capital turned negative in the past business year, from EUR 113.9 million in the previous year to EUR –98.6 million. Despite comprehensive countermeasures, working capital rose on the back of considerably higher raw materials and selling prices as of the end of March 2017 compared to the prior-year reporting date. In contrast, the capital allocated to investments in the business year 2016/17 was much lower than in 2015/16. This led to a corresponding decrease in cash flow from investing activities to EUR –1,049.8 million in the past business year, compared to EUR –1,230.0 million in the previous year. After cash outflow from financing activities exceeded cash inflow by EUR 366.7 million in the business year 2016/17, the closing balance of cash and cash equivalents as of March 31, 2017, came to EUR 503.3 million (March 31, 2016: EUR 774.8 million).

Net financial debt can be broken down as follows:

NET FINANCIAL DEBT

In millions of euros	03/31/2016	03/31/2017
Financial liabilites non-current	3,342.8	2,764.7
Financial liabilites current	898.2	1,332.9
Cash and cash equivalents	–774.8	–503.3
Other financial assets	–355.8	–348.3
Loans and other receivables from financing	–30.5	–24.9
Net financial debt	**3,079.9**	**3,221.1**

QUARTERLY DEVELOPMENT OF THE voestalpine GROUP

In millions of euros	1st quarter 2016/17	2nd quarter 2016/17	3rd quarter 2016/17	4th quarter 2016/17	BY 2016/17	BY 2015/16	Change in %
Revenue	2,772.4	2,635.4	2,693.4	3,193.3	11,294.5	11,068.7	2.0
EBITDA	333.9	371.0	356.2	479.6	1,540.7	1,583.4	–2.7
EBITDA margin	12.0%	14.1%	13.2%	15.0%	13.6%	14.3%	
EBIT	167.6	201.3	176.1	278.3	823.3	888.8	–7.4
EBIT margin	6.0%	7.6%	6.5%	8.7%	7.3%	8.0%	
Profit before tax	138.9	172.5	150.0	238.5	699.9	751.3	–6.8
Profit after tax[1]	105.8	127.9	110.2	183.1	527.0	602.1	–12.5
Employees (full-time equivalent)	48,319	48,786	48,765	49,703	49,703	48,367	2.8

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

QUARTERLY DEVELOPMENT OF THE voestalpine GROUP, ADJUSTED

In millions of euros	1st quarter 2016/17	2nd quarter 2016/17	3rd quarter 2016/17	4th quarter 2016/17	BY 2016/17	BY 2015/16	Change in %
Revenue	2,772.4	2,635.4	2,693.4	3,193.3	11,294.5	11,068.7	2.0
EBITDA	333.9	371.0	356.2	479.6	1,540.7	1,445.8	6.6
EBITDA margin	12.0%	14.1%	13.2%	15.0%	13.6%	13.1%	
EBIT	171.5	204.9	179.7	283.8	839.9	814.4	3.1
EBIT margin	6.2%	7.8%	6.7%	8.9%	7.4%	7.4%	
Profit before tax	142.8	176.1	153.5	244.1	716.5	676.8	5.9
Profit after tax[1]	108.7	130.6	112.9	187.2	539.4	509.8	5.8
Employees (full-time equivalent)	48,319	48,786	48,765	49,703	49,703	48,367	2.8

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

SIGNIFICANT EVENTS IN THE COURSE OF THE YEAR

CAPITAL INCREASE TO EXPAND THE EMPLOYEE PARTICIPATION PLAN

On March 6, 2017, the Management Board of voestalpine AG resolved to increase the Company's share capital by around 0.8% by issuing 1.4 million no-par value bearer shares to expand and safeguard voestalpine AG's employee participation plan. The capital increase was recorded in the Commercial Register on March 30, 2017. The share capital of voestalpine AG now amounts to EUR 320,394,836.99, divided into 176,349,163 shares/no-par value shares. With this capital increase, the shares held by the voestalpine Mitarbeiterbeteiligung Privatstiftung (including private shares) on behalf of the employees participating in the plan account for 14.8% of the share capital of voestalpine AG.

DIRECT REDUCTION PLANT TEXAS, USA

After the official groundbreaking for the construction of the largest direct reduction plant worldwide in Corpus Christi, Texas, USA, three years ago in April 2014, the plant went into full operation on April 1, 2017, and will be producing two million tons of high quality HBI (hot briquetted iron) per year. The porous sponge iron, which, for easier transport, is pressed into briquettes, is a high quality, relatively environmentally friendly ferrous material for use in steel production, both in blast furnace routes and electric furnaces. HBI is derived by reducing iron ore using natural gas instead of coke as with traditional blast furnaces. The use of the US-produced HBI in the voestalpine blast furnaces and steel shops broadens the raw material base and offers significantly more flexibility in that regard, lowers the energy footprint, reduces the site-specific CO_2 emissions by up to 5%, and provides technological options with regard to decarbonizing the steel production. Furthermore, with its heat recovery system, recycling of process gases and enclosed conveyors and ore deposits, the plant in Corpus Christi also sets new environmental standards.

The deep-sea port with loading and unloading cranes and the centerpiece of the investment—the 450-foot-high reduction tower—were successfully completed during the business year 2015/16. After a nearly two-and-a-half-year construction phase, the world's largest and most sophisticated plant of its kind was officially opened on October 26, 2016, following a successful start-up over the course of the previous month. Since stable operations at a high performance level were established at the new plant within only six months and the final performance test was successfully completed in March 2017, the facility moved into continuous operation at the beginning of the business year 2017/18. Not only were the targeted operating parameters achieved in technological terms after a relatively short period of time, the plant even managed to surpass the rather ambitious product quality specifications. Continuous supply of HBI from Texas to customers in the NAFTA region and Europe as well as to the domestic steel sites in Linz and Leoben/Donawitz in

Austria began toward the end of the calendar year 2016. In the business year 2017/18, the plant should already reach its annual nominal capacity of 2 million tons, and, with that, promises a clearly positive earnings contribution in only its first year of full operation. voestalpine Texas LLC has around 190 employees at the Corpus Christi location.

As already stated in various other publications, the project involved rather substantial cost increases due to extremely difficult weather conditions in the first phase causing delays, a considerable spike in building materials and labor costs because of a construction boom in Texas that began in 2014 and was not foreseeable at the time of the project decision in 2012, and due to additional investments and technical optimization measures (warehouse concept changes). With the completion of the start-up process, the total costs of the project amount to USD 1,012 million and exceed the originally budgeted USD 742 million (a priori calculated in USD) by about one-third. In terms of the strategic importance of this project, these cost increases do not make any difference, and, from today's viewpoint, the still viable economic attractiveness of the project is confirmed by the impairment test results in the recent annual financial statements.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report for the business year 2016/17 was published on the voestalpine AG website under the heading "Investors."

» The full link is http://www.voestalpine.com/group/en/investors/corporate-governance

INVESTMENTS

Since numerous ongoing large-scale projects of the voestalpine Group were progressing successfully in the business year 2015/16 and the investment volume had reached an absolute peak with EUR 1,310.9 million during that time, many of these projects entered the start-up phase in the course of the business year 2016/17. Against this backdrop, the investment expenditures of EUR 1,011.4 million in the past business year were 22.8% below the previous year's figure, but still considerably higher than the level of depreciation.

Since the major portion of the investment volume had already been allocated for the largest and most modern direct reduction plant in Corpus Christi, Texas, USA, over the past business years, the investment expenditures in the **Steel Division** dropped by 41.8% from EUR 701.1 million in the previous year to EUR 408.1 million in the business year 2016/17. After a construction period of two and a half years, this facility was successfully completed in the fall of 2016. Following the run-up phase of almost six months, the plant went into full operation on April 1, 2017 (see Chapter "Direct reduction plant Texas, USA"). In addition, the Steel Division successfully continued or implemented several other strategically important investments in the business year 2016/17. For example, in the Heavy Plate segment the "toughcore®" plant developed in-house was put into operation in the third quarter of 2016/17. This technology provides unique product features in challenging environments, such as very low temperature conditions or extreme water depths.

For the continuous casting facility 8 investment project, with aims to further optimize the portfolio of the strip segment, the processing system was installed in the previous business year and cold tests were started according to plan in the spring of 2017. Commissioning is scheduled for the fall of 2017. Thanks to the excellent cooperation of all project partners, the major repair of the blast furnace 6 was completed ahead of schedule between July and November 2016. Concurrently, preparatory measures for the major repair of the large blast furnace A scheduled for 2018 have started.

The investment expenditures in the **High Performance Metals Division** (formerly Special Steel Division) of EUR 179.5 million in the business year 2016/17 are only marginally below those of the previous year (EUR 181.7 million) and primarily focused on strategic growth areas: For example, the revenue in the technologically challenging aerospace customer segment is to be almost doubled in the coming years. In light of the above, the Böhler Schmiedetechnik GmbH & Co KG is currently investing in a new high-tech fast forging line at the Kapfenberg facility in Austria, which is scheduled to begin operation at the end of calendar year 2018. The plant will primarily produce pre-material for extremely stress-resilient aircraft components (e.g., engine parts) as well as sophisticated forged parts for oil and gas exploration. Furthermore, with the construction of a production line for structural aircraft parts, the leading manufacturer of special forgings made from high-performance metals meets the needs of the

booming aerospace industry. This fully automated plant will be commissioned in 2019. The activities at the Mürzzuschlag site in Austria currently focus on the construction of a straightening plant for titanium plates that are used in the aerospace industry, as well as in mechanical engineering and the chemical industry. At the two production sites in Kapfenberg, Austria, and Hagfors, Sweden, investments are still focused on power units for the production of powder metal made from steel and nickel-based alloys to be used in the additive manufacturing segment. Additive manufacturing centers for the production of metal components by 3D printing were constructed in Düsseldorf, Germany, and in Singapore in the business year 2016/17. In the Value Added Services business segment, the expansion of the plant capacities for heat treatment and machine processing in Chengdu, the economic center in southwestern China, as well as in Querétaro, the automotive hotspot in Mexico, was further advanced in the business year 2016/17.

In the **Metal Engineering Division,** the investment volume of EUR 211.0 million for the business year 2016/17 fell by 16.7% below the value of EUR 253.3 million from the previous year. The division's currently largest single investment in a new digitalized wire rod mill constitutes a technological benchmark to sustainably increase the performance, flexibility, and quality of the rolled wire production at the Leoben/Donawitz location in Austria. In the Seamless Tubes business segment, strategically vital future-oriented projects are being consequently implemented, despite the current market weakness. For example, the expansion of dimensions at the Kindberg location in Austria was successfully completed during the business year 2016/17. Installations for additional heat treatment capacities began in September 2016, making the commissioning in the first quarter of 2017/18 sufficiently certain.

The major portion of the investment volume in the **Metal Forming Division** that increased by 22.4% over the previous year from EUR 167.5 million to EUR 205.1 million was again allocated to strategically implement global roll-outs of key technologies in the automotive segment based on long-term contracts. For the local production of ultra high-strength automotive components, particularly for German premium brand automakers, the plant in Cartersville, USA, already started its third "phs" expansion phase in 2016. With Lanfang near Bejing, a new location was added in China to fulfill an ongoing order for the automotive industry spanning several years. The dynamic growth in the automotive segment in Mexico will be met with the construction of a new production facility for high-quality automotive components in Aguascalientes, Mexico. In addition, important strategic initiatives were set at European locations as well. In this regard, a notable highlight is the startup of operations of the first facility worldwide for "phs-directform®" in Schwäbisch Gmünd, Germany, in the second quarter of the business year 2016/17. With this innovation, this plant will be the first to produce press-hardened, ultra high-strength and corrosion-resistant automotive body parts from galvanized steel strip in one single process step. Another highlight for the Automotive Components business segment was the opening of what is now the largest production facility worldwide for laser-welded blanks in Linz, Austria, in the summer of 2016 after only just over a year of construction.

ACQUISITIONS

The voestalpine Group's acquisition activities in the business year 2016/17 were very limited. There was only one larger acquisition, due not least to opaque company valuations in many cases as a result of interest rate factors.

The Metal Forming Division significantly strengthened its position in the segment of high-quality passive safety components for the automotive industry in the NAFTA region with the acquisition of Summo Corp., based in Burlington, Canada, in July 2016. Renamed voestalpine Rotec Summo Corp., the company produces high-quality passive automotive safety components, such as airbag components and seatbelt and seat systems at its two production locations in Burlington, Canada, and Monterrey, Mexico. It has around 300 employees and most recently generated an annual revenue of approximately EUR 40 million.
Forward-looking product solutions for passive automotive safety components has been a focus area of the voestalpine Rotec Group, which is allocated to the Metal Forming Division and based in Krieglach, Austria, since the 1980s. The Rotec Group was already represented in North America before the acquisition of Summo with its location in Lafayette, Indiana, USA. The integration of the company into the Rotec Group's existing US activities is progressing very smoothly, not least because of its similar culture with a focus on customer centricity and technology and quality leadership.

EMPLOYEES

As of the reporting date, March 31, 2017, the voestalpine Group had 45,866 employees (excluding apprentices and temporary employees), and, with that, around 820 employees or 1.8% more than by March 31, 2016. In addition, there are 1,320 apprentices and 3,680 leased employees, which adds up to a total of 49,703 FTEs (full-time equivalents) and represents a rise in the headcount of 2.8% (or 1,336 FTEs) compared to the previous year. The number of temporary employees rose in a year-to-year comparison by 8.6% from 3,389 to 3,680 FTEs. About 53.5% of the employees (26,590 FTEs) are working at Group sites outside of Austria and 23,113 employees in Austrian companies.
As of the reporting date, March 31, 2017, the voestalpine Group was training 1,320 apprentices, 60.5% in Austrian companies and 39.5% at sites abroad. Compared to the previous year, the number of apprentices has decreased by 57 or 4.1%.

EMPLOYEE PARTICIPATION PLAN

The voestalpine employee participation plan was established in 2001 and has since been continually expanded. Besides all of the employees in Austria, personnel in Great Britain, Germany, the Netherlands, Poland, Belgium, the Czech Republic, Italy and Switzerland are enrolled. The expansion of participation at locations abroad was again further advanced in the business year 2016/17.
The voestalpine Mitarbeiterbeteiligung Privatstiftung (employee foundation for the Group's employee participation plan) is the second largest shareholder of the voestalpine AG. As of March 31, 2017, 24,100 employees participate in the plan and hold a total of 24.1 million shares, which represents 13.6% of the Company's share capital due to the general bundling of voting rights (previous year: 13.4%). In addition, the foundation also manages about 1.9 million "private shares" owned by current and former employees (corresponding to about 1.2% of the voting shares). Thus, as of March 31, 2017, 14.8% of voestalpine AG's share capital (previous year: 14.5%) is owned by employees.

THE STAHLSTIFTUNG (STEEL FOUNDATION) IN AUSTRIA

In 1987, the "Stahlstiftung" (Steel Foundation) was founded in Austria as an employee foundation with the goal to provide former employees of the previous VOEST-ALPINE Group as well as employees from a number of companies outside of the Group, who had to leave due to a crisis, with the opportunity of a professional reorientation through up to four years of training and continuing education courses in order to compensate for or at least alleviate the impact of the job loss.
In the business year 2016/17, more than 86% of the participants looking for work were able to find new professional perspectives with the help of the Stahlstiftung, despite the ongoing difficult situation on the Austrian labor market.
As of the reporting date, March 31, 2017, a total of 455 individuals received assistance from the

Stahlstiftung of whom 51.7% were former employees of the voestalpine Group. The total number of active Stahlstiftung members in the business year 2016/17 was 770 and 1.8% below that of the previous year (784 persons).

APPRENTICES AND YOUNG SKILLED WORKERS

In November 2016, the fourth voestalpine Group Apprentice Day was held at the voestalpine AG headquarters in Linz. 330 apprentices from Austria and Germany attended together with their trainers. The goal of the event is to introduce the apprentices to as many of their young colleagues as possible as well as to the Group.
The Company invests about EUR 70,000 in the comprehensive three- or four-year training program per apprentice. In order to efficiently approach potential apprentices, social media activities via Facebook, YouTube, Twitter, LinkedIn, Watchado, and Instagram were continuously intensified over the past years. The impressive number of apprenticeship completions confirms the validity of these investments in the future: 96.4% of the apprentices in Austria and Germany who took their final examination in the last business year passed. Of the Austrian graduates, 69.0% even passed with "good" or "excellent" grades.
For the apprenticeship year 2017/18 beginning in the fall of 2017, voestalpine offers around 370 new apprenticeship positions in Austria and Germany alone. Currently, training for 50 vocational occupations is being offered at 38 sites. Every year, prior to enrollment and as an introduction, schoolchildren and their parents are invited to an "open house event" at a number of sites to find out about the wide range of training and apprenticeship options.

DEVELOPMENT OF EXECUTIVES

In the business year 2016/17, 186 participants (15.1% female participation) from 25 countries began their the training courses in various categories of the voestalpine management development system as part of the group-wide development of executives or "value:program". It provides target group-specific training and advancement programs for all executive levels based on a combination of classroom and online courses, including external postgraduate and business school extensions. In addition to specialized tasks, focal points include strategy, change management, leadership, compliance, and organization.

OTHER DEVELOPMENT PROGRAMS

In order to foster and strengthen required employee competences in a targeted manner, some programs are being offered on a continuous basis, such as the Purchasing Power Academy, the HR Academy, the China Young Professional Training Program and the High Mobility Pool Program whose "generation 2015" just recently started their professional career after two years of training; "generation 2017" is following suit.
The further development portfolio for employees contains numerous other programs and training offerings at the divisional and business unit level.

EMPLOYEE SURVEY

In October 2016, another employee survey was conducted as is done every three years. This survey included 201 Group companies in 47 countries and was conducted anonymously based on an online or paper questionnaire in 25 different languages, and with almost 47,000 employees invited to take part, constituted a near full census. The objective of this regularly conducted survey is a continuous improvement of the work environment at voestalpine from identifying personal job satisfaction, information needs to organization and management behavior. The return rate of 77% not only set the standards for meaningful results, but even exceeded the already high return in 2013 (75%). Within the Group, each company involved will work out measures of improvement based on the respective results and prepare a report using a comprehensive reporting tool. Important fields of action that need to be focused on are "Professional development" and "Leadership". Overall, the employee survey confirmed the present course of the Group's development, despite the different results per region and business unit due to the difficult economic environment of the past years.

COOPERATION WITH UNIVERSITIES

Many voestalpine Group companies offer internships for college and university students; one special focus here includes scientific papers from students in cooperation with voestalpine companies. Currently numerous diploma and master theses as well as dissertations are being prepared within the Group.

For several years now, voestalpine has offered students from Emory University (Atlanta, USA) a ten week internship. In exchange, students of the Johannes Kepler University Linz, Austria, receive a scholarship to Emory University. In another special educational program, students in the international "ACT—Austria, Canada, Taiwan" course, a joint study program of the Johannes Kepler University Linz, Austria, the University of Victoria, Canada, and the National Sun Yat-sen University in Kaohsiung in Taiwan, take part in project work lasting several weeks at the Group's Linz location.

The Leoben University of Mining and Metallurgy in Austria is also involved in several educational cooperations. They range from sponsoring commitments to encourage young people to study for technical degrees, to voestalpine talks, a cooperative event with all student representatives, and participation in the student fair "teconomy." In March 2017, after a three year hiatus, the "voestalpine Student Meet" was held for the second time at the Leoben University of Mining and Metallurgy offering 450 students the opportunity to attend presentations by all six members of the voestalpine Board and ask questions and be introduced to executives and employees of the Group.

RAW MATERIALS

Following a continuously declining price trend over a period of several years for raw materials that are of primary importance for blast furnace-based crude steel production such as iron ore and metallurgical coal, the beginning of 2016 marked a turnaround.

This change was initiated by a first slight recovery of the iron ore prices in January 2016, after having bottomed out at roughly USD 38 per ton (CFR China). Since China is by far the world's largest importer of iron ore covering two thirds of the iron ore demand by sea freight, the economic situation of the Chinese steel industry naturally plays a vital role in terms of the general price development for iron ore. Besides the high steel production rates, the reason for the massive iron ore consumption in China is that the country's availability of scrap metal is relatively low, which is why it uses proportionally more pig iron in the steel industry than any other country. Even though, in light of the above, the downturn of the iron ore price over a period of two years was also the result of the weaker growth in crude steel production in China, it was further intensified by a concurrent substantial expansion of the global mining capacities based on excessive expectations on the part of the mining corporations with regard to the steel demand in China. Not least due to economic stimulus measures by the Chinese government, the steel demand bounced back in the course of calendar year 2016. Furthermore, supply parameters influencing the pricing process changed as well. Thus, for example, the major Australian and Brazilian iron ore producers curtailed their original growth plans. Since the Chinese iron ore is of comparably lower quality, the steel industry in China focuses increasingly on high quality iron ore, not least due to associated environmental issues, which in recent years resulted in the closing of numerous Chinese mines as well as higher import needs. In addition, due to the bursting of a dam in an iron ore mine in Brazil in November 2015, in particular the availability of iron ore pellets (precompressed ore) has gone down with the result that the surcharges for pellets worldwide have significantly increased. The notable spike of the ore base price to just under USD 90 per ton in March 2017 resulting from these developments and marking a peak since the summer of 2014—apart from the fundamental developments described above—is also the result of a substantial expansion of financial derivatives which are based on the development of the iron ore price and have therefore intensified the upward trend.

At the beginning of the business year 2016/17, the voestalpine Group began procuring raw materials and energy for the new location in Corpus Christi, Texas, USA. The respective volume flows have since been established and have become an integral part of the corporate raw materials portfolio.

Even more remarkable than the iron ore situation have been the price surges for coking coal in the business year 2016/17. The immediate trigger for this price explosion on the spot market starting in the summer of 2016 included mine closings by

government order as well as the reduction of annual work days in Chinese coal mines and the supply shortage resulting from that. In addition, heavy rain falls in northern China caused logistical problems with the transport of the domestically mined coal and making Chinese steel companies increasingly dependent on imported coal. After the supply in North America had already noticeably dropped over the previous years due to numerous mine closings, the development of steel production, internationally regarded as stable, led to a shortage of high quality coking coal on the global spot markets in the course of 2016, because of restrictions in the Chinese mines. While the price for one ton of coking coal (FOB Australia) was still at USD 80 in March 2016, it jumped to roughly USD 300 within only a few months. The coal price thus reached a five-year high before eventually settling between USD 150–160. Even more dramatic was the surge in April 2017 when the coal price doubled within only one week. The reason for this, once again, was a supply shortage due to environmental conditions, but this time in Australia caused by a cyclone that damaged important railway connections from the mines in Queensland to the shipping ports.

In the business year 2016/17, the coke derived from coal and used in blast furnaces logically tracked the price of the base product. At its peak, the spot market price for one ton of coke (FOB China) was at roughly USD 330, which, compared to the listing in March 2016 of just over USD 100, is a three-fold increase in value.

During the past business year, the price for high quality scrap also showed some rather varying developments. While one ton of scrap was listed at about EUR 170 (type E3, Germany) at the beginning of 2016, it jumped to EUR 260 in May 2016 and back to under EUR 200 two months later. Only at the end of calendar year 2016 did the price increase reach a sustainable level. Toward the end of the business year 2016/17 the price of scrap returned to the level of about EUR 260 per ton.

After the prices for the most important alloys, which are a significant cost factor particularly in the High Performance Metals Division, dropped in part substantially in the business year 2015/16, business year 2016/17 brought about a trend reversal with some marked price increases for certain alloys. For example, in particular the procurement cost for molybdenum, vanadium, chrome, and manganese rose significantly. For nickel, the alloy with the highest value ratio in the High Performance Metals Division portfolio and subject to annual price fluctuations of up to 85% over the past years due to supply volatilities, the fluctuations persisted largely unabated in the past business year. Only the first months of 2017 showed a certain easing of the situation at the London Metal Exchange. The price development for zinc, an element primarily used in the Steel Division, rose continually over the course of the business year.

RESEARCH AND DEVELOPMENT

In the past business year, the voestalpine Group invested EUR 140.3 million in research, development, and innovation and thus—as in previous years—continues to be one of the most research-intensive companies in Austria. For one, the focus of our research is on further developing the steel production process and the manufacturing processes for steel and other metals, including the development of new production techniques such as additive manufacturing, and secondly on materials technology as well as the development of metal-based products, components, and complete system solutions.

The average annual 4.3% increase in R&D expenditures over the past years indicates that innovation is given top priority in the voestalpine Group. The research ratio (proportion of R&D expenditures in relation to revenue) remained unchanged at 1.2% and the R&D coefficient (expenses measured by added value) at 2.7%.

Our continuous cooperation with around 80 universities and research institutions worldwide, and, with that, the close interaction between research, science and industry forms the basis for the constant advancement of most sophisticated high tech metal products. Major research partners in Austria include the Montan University in Leoben, the Johannes Kepler University in Linz and K1-MET GmbH in Linz. Abroad, focus projects with MIT (Massachusetts Institute of Technology), USA, McGill University, Canada, the Royal Institute of Technology, Sweden, Aalto University, Finland and the Fraunhofer Institut, Germany, are ongoing.

Research work at voestalpine is decentralized, i.e., conducted in close vicinity to the relevant production facility as well as to customers and the market. In order to ensure continuous knowledge exchange within the Group besides regular Research Committee meetings where representatives responsible for R&D from the four Divisions share information and coordinate activities, the Research Board with the participation of the Management Board convenes twice a year and decides on fundamental issues regarding the Group's innovation developments. In addition, a one-and-a-half day Researcher Conference is held once a year with 2017 marking its tenth anniversary. This year's topic "Steel Production in the 21st Century" was discussed in detail in presentations from external and internal experts. At the location in Linz, Austria, a pilot project for hydrogen production was started and involves the strategic cooperation between voestalpine and VERBUND AG, the leading electricity producer in Austria. The focus here is the installation of the largest PEM (polymer electrolyte membrane) electrolysis unit worldwide with an output of 6 MW to produce "green" hydrogen, i.e., by using electric energy from renewable sources. The objective of this project is to test the PEM technology as well as reveal the potential of hydrogen in steel production. The use of this technology in the steel industry seems promising for the long-term future, but ultimately depends on the cost and availability of "green" power.

Research and development in the **Steel Division** are ever more strongly shaped by the need for flexible, autonomously controlled processes in terms of digitalization with a pronounced focus

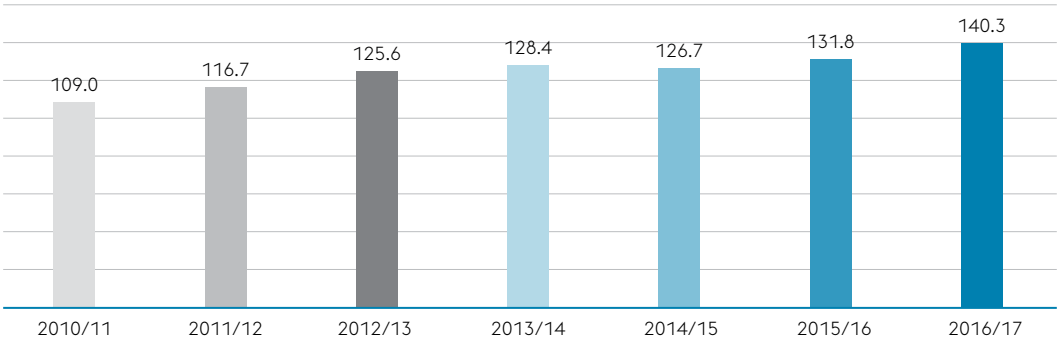
on the development of mechatronic systems as the basis for "smart production". The emphasis in the area of material technology is on the further development of ultra high-strength steel grades both for cold-rolled and hot-rolled steel strips as well as the development of more high-ductility grades—high-strength steels with increased formability—in combination with the relevant processing technologies, and especially in cooperation with the Metal Forming Division. The newly developed heavy plate sheet product toughcore® with its superior ductility properties was successfully launched and is used for challenging projects under the harshest conditions, such as in mining and linepipe offshore applications. In the coatings segment, the focus is on the development of alternative metal coatings and innovative organic coatings with integrated functionalities.

In its value added service developments, i.e., heat treatments, coatings and processing, the **High Performance Metals Division** (formerly Special Steel Division) relies increasingly on customer proximity and is thus expanding its global presence primarily in Asia in cooperation with other local R&D centers. In the summer of 2016, the voestalpine Additive Manufacturing Center was opened in Düsseldorf, Germany, to pool all Group-wide research activities in this field and develop techniques to manufacture special complex and light metal components—particularly for the aerospace and automotive industries as well as for toolmaking. The material required for the process—a metal powder produced using a special method—is developed and supplied by the Group companies Böhler Edelstahl GmbH & Co KG, Austria, and Uddeholms AB, Sweden. The High Performance Metals Division invests heavily in the digitalization of production as well with the goal to further increase production efficiency and product quality on a large scale. In the tool steel segment, a powder-metallurgical steel was recently developed that combines the previously incompatible properties of high-corrosion resistant but formable steel with the ductility and wear resistance of tool steel. Another innovation includes non-corrosive, pre-hardened steels for tool holders that significantly shorten the production route, lower production costs and time, and accelerate deliveries. Furthermore, this innovation eliminates the complex and environmentally critical chemical nickel plating of the tool holders.

In the previous year in the **Metal Engineering Division,** a research service company was founded to ensure optimal use of the research infrastructure and R&D processes were reorganized at the same time. voestalpine is the only turnkey supplier for rail technology and turnout systems worldwide. With these two segments, the division offers new cutting-edge system solutions for the railway infrastructure that also include an interactive life cycle cost tool developed by voestalpine Schienen GmbH, Leoben/Donawitz, Austria, for life cycle analyses of high performance rails to optimize procurement and maintenance strategies and facilitate cost projections over the

RESEARCH EXPENDITURE FOR THE voestalpine GROUP

In millions of euros, R&D gross expenditure (without R&D facility investments)



entire life cycle. The newly developed rail grade 400 UHC® HSH®, a heat-treated rail with increased carbon content, exhibits twice the rail service life compared to previous grades and thus has had a very positive market response. Digitalization was the central focus for the recently developed turnout systems with continuously optimized integrated diagnostic and monitoring technologies. Other R&D priorities of the division include the development of high-strength thermomechanically rolled wires as well as sour gas-resistant seamless tubular products and gas-tight connections, in particular for geologically and climatically challenging oil and gas exploration and production applications.

With the creation of twelve centers of excellence in the **Metal Forming Division,** R&D structures were comprehensively redefined and reorganized accordingly. The primary focus in this division is on innovative lightweight structures. This segment includes the forming and further processing of materials such as press-hardening steel, steel hybrid composites or aluminum into components and systems with the goal to maximize customer benefit by combining best-suited materials. Another priority for the division is the development of innovative, sophisticated profiles and pipes made from high-strength steel combined with metal coatings and plastic film or steel-plastic composites.

ENVIRONMENT

ENVIRONMENTAL EXPENDITURES

Since the business year 2015/16, in addition to the previously mentioned emission-intensive Austrian Group sites, several other, primarily international, production companies and their respective data were included for the first time as well. Overall, the ongoing operating costs for environmental systems of EUR 231 million have dropped slightly below the level of the previous year (EUR 237 million). At the same time, the voestalpine Group's environmental investments also decreased from EUR 55 million in the previous year to EUR 46 million.

ENVIRONMENTAL FOCUS AND MEASURES

Besides continuous energy efficiency improvements, the Group's focus in terms of environmentally relevant projects is on a further reduction or prevention of production based emissions in the air and water as well as on waste disposal. In the Steel Division (Linz, Austria), numerous additional system optimizations were performed in the past business year as part of a very ambitious environmental program to further lower emissions and to further improve energy efficiency, in particular in the areas of infrastructure and logistics. Amongst others, the installation of a new conveyor technology as part of the major repair of blast furnace 6 ensures a sustained reduction of burden dust. The now—as of April 1, 2017—fully operational direct reduction plant in Corpus Christi, Texas, USA is a true environmental benchmark from a technological perspective with its heat recovery system, recycling of process gases and enclosed conveyors and ore deposits and, with the use of natural gas rather than coke, marks an important first step toward a CO_2-reduced steel production within the Group.

With about EUR 16 million, the largest single environmental project was successfully completed at the High Performance Metals Division (formerly Special Steel Division) Kapfenberg site in Austria in the previous business year. In the special steel plant's new "pickling shop 4.0", emission-relevant processes (pickling, coating, salt bath) are now performed in a fully enclosed system (tunnel system). Offgas streams are purified by means of fume scrubbers, an optimized process reduces waste water volumes by 80%, and resource efficiency is increased while hazardous waste (pickling slurry) is reduced by about 25%. The electric-furnace steel plant at the Division's Hagfors site in Sweden was equipped with a new, significantly more efficient filter system. Besides emission reductions of 50%, it also helped reduce noise pollution noticeably.

A number of similar and lastingly effective investments were also made in the Metal Engineering Division, such as the expansion of the sprayer systems at the sinter plant (blast furnace) in Leoben/Donawitz, Austria, to reduce diffuse dust emissions by about 25% on all conveyor routes. In addition, air pollutants and energy consumption were further reduced at that location thanks to a new walking beam furnace for the rail

production, and the commissioning of the new wire rod mill also ensures a significant reduction of energy consumption, air emissions (primarily nitrogen oxide), and waste water volumes.

ENVIRONMENTAL MANAGEMENT SYSTEMS

A large number of voestalpine Group companies have a broad range of environmental management systems (ISO 14001 or EMAS) and a certified energy management system (according to ISO 50001) in place. With the turnout production sites in Germany, more companies followed suit in implementing such systems and obtained certification in the past business year. DIN EN ISO 14001 certifications were also completed or will be obtained in the current business year by the automotive components segment of the Metal Forming Division.

ECOLOGICAL PRODUCT CONSIDERATIONS

Besides operative environmental measures, the ecological potential of steel as a material and as a product is the focus of optimization measures. Besides innovations in lightweight construction for the automotive sector, the railway infrastructure, and renewable energy applications (such as solar and photovoltaic solutions in the Metal Forming Division), this also includes the "Life Cycle Assessment", i.e., the overall ecological assessment of materials over their life cycle. In addition to its active involvement with interest groups on a national, European and global level—primarily to establish objective criteria such as measurability and comparability of assessment standards—voestalpine is also pursuing concrete projects in this regard with important customer industries (such as the automotive industry).

RESEARCH AND DEVELOPMENT OF CO_2-REDUCING TECHNOLOGIES

The technological research and development of alternative steel production processes is being advanced in particular by a cooperation between voestalpine and VERBUND AG, Vienna, Austria, that focuses primarily on flexibility concepts in energy production and energy demand ("demand-side management") as well as on a research cooperation for future-oriented hydrogen developments. At the beginning of 2017, the Linz site in Austria launched "H2FUTURE" as part of an EU-funded project, which involves a pilot facility for the production of "green" hydrogen from water by means of electrolysis using renewable energy sources. The objective of this project that is scheduled to run until 2021 is to identify potentials and options for the use of hydrogen in the various process steps of steel production. The project is valued at about EUR 18 million and also involves SIEMENS, K1-MET, APG (Austrian Power Grid) and ECN (Energy Research Centre of the Netherlands). In addition, further development projects, such as a test facility to study reduction processes with hydrogen plasma, are being advanced at the Leoben/Donawitz site in Austria.

LONG-TERM ENERGY AND CLIMATE-POLITICAL PURSUITS

At the global level, the UN global climate accord came into force on November 4, 2016, which is to replace the "Kyoto Protocol" as the global climate protection framework in 2020. The ecological process established at the World Climate Conference in Paris in November 2015 (in particular with regard to the evaluation and monitoring of climate protection measures) is now being substantiated and implemented. The "Paris Agreement" offers a historical chance to make climate protection contributions of major emitters binding and broadly comparable.

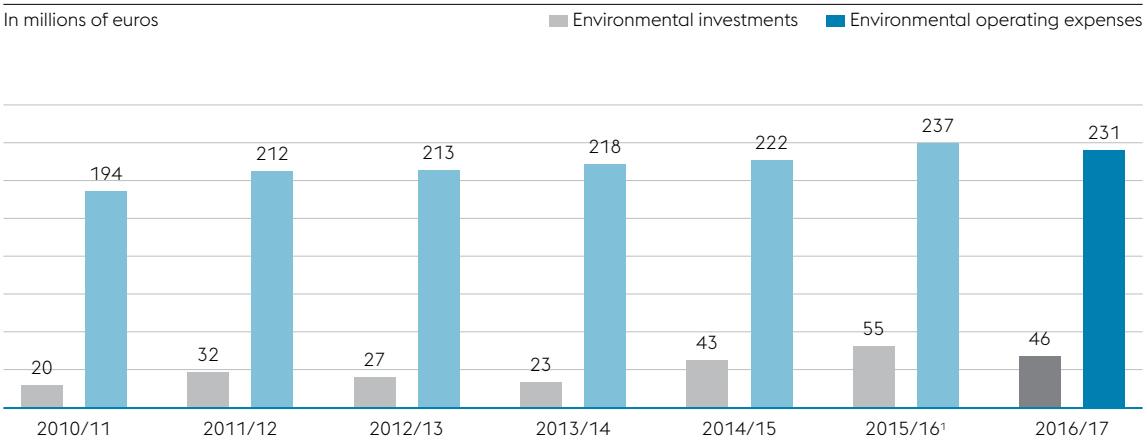
The EU as well as the individual member countries incorporated the "2030 Goals" that were decided upon already in 2014 in the global climate accord; since their resolution—regardless of the global context—these have formed the basis for the European Energy Union which establishes the European framework strategy for energy, climate, competition and innovation policies. Accordingly, by 2030, CO_2 emissions in the EU must be decreased by at least 40% compared to 1990. However, even more stringent reductions by 43% compared to 2005 apply for the sectors subject to the emissions trading system, such as the steel industry.

At the end of November 2016, the EU Commission presented comprehensive legislative proposals to the European Energy Union titled "Clean Energy for all Europeans" that cover the areas of energy efficiency, renewable energy, organization of the electricity market, power supply security and managing the Energy Union. In addition, the Commission proposes new ecodesign options as well as a strategy for networked and automated mobility.

The separately handled reform of the emission trade system for the trade period from 2021 to 2030 has been in negotiation with the Commission, the Council and Parliament of the European Union since March 2017. The objective of the discussions is to reach an agreement on key points with in part greatly diverging positions on the part of the three institutions. From voestalpine's viewpoint, the focus remains on sufficient availability of free certificates, their allocation mechanism (e.g., based on reasonable benchmark values) as well as the maximum inclusion of energetically used blast furnace gases in the assessment. A sound evaluation of the emission trade reform and its implications on voestalpine can only be performed after the trialogue or a legal definition of the result, i.e., probably not before the end of 2017. From the present point of view, it is to be expected that the voestalpine Group's need to purchase additional certificates in the period from 2021 until 2030 will remain approximately at the high level of the current trading period.

On the national level, voestalpine is engaged in an in-depth dialog with political decision makers about the integrated and national energy and climate plan which Austria will subsequently be introducing to the European Energy Union in the near future (at the latest by the end of 2018). The goal of the negotiations is to establish the framework conditions relevant to the Group (particularly in terms of economy and competition) in such a way that the voestalpine Group does not suffer any competitive disadvantages in the global market.

ENVIRONMENTAL EXPENDITURES



[1] In the business year 2015/16, in addition to the emission-intensive Austrian Group sites, a number of other, primarily international, production companies were included.

REPORT ON COMPANY RISK EXPOSURE

Active risk management, as it has been understood and consistently practiced in the voestalpine Group, 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.
Since the business year 2000/01, the voestalpine Group has had a comprehensive risk management system in place that was established based on a general, Group-wide policy; this policy has been updated and expanded on an ongoing basis.
In accordance with the Austrian Company Law Amendment Act of 2008 *(Unternehmensrechts-Änderungsgesetz)* and the associated increased importance of an internal control system (ICS) and a risk management system, an Audit Committee has been set up at voestalpine AG, which addresses questions related to risk management and the internal control system (ICS) on an ongoing basis as well as the monitoring thereof. Both the risk management and the internal control systems are integral components of the existing management systems within the voestalpine Group. The Internal Auditing department independently monitors operational and business processes and the ICS and, as an independent, in-house department, also has full discretion when reporting and assessing audit results.
The systematic risk management process is an integral part of all essential business processes within the Group; it assists the management in recognizing potential risks early on and initiating appropriate action to avert or prevent dangers. Risk management covers both the strategic and the operational levels and is therefore a major element in the sustainable success of the Group.

Strategic risk management serves to evaluate and safeguard strategic planning for the future. Strategies are reviewed to ensure conformity with the Group's system of objectives in order to ensure value-adding growth by way of an optimum allocation of resources.
Operational risk management is based on a revolving procedure ("identify and analyze, assess, manage, document and monitor") that is run several times a year uniformly across the entire Group. The evaluation of identified risks is implemented using an evaluation matrix comprising nine fields that assesses possible losses and the probability of occurrence. The main risks being documented are operational, environmental, market, procurement, technological, financial, and IT risks. This process is aided by a special web-based IT system.
The preventive measures for the main risk areas presented in last year's Annual Report are still valid:

» **AVAILABILITY OF RAW MATERIALS**
In order to ensure the long-term supply of the required quantity and quality of raw materials and energy, the voestalpine Group has for some years maintained an appropriately diversified procurement strategy that reflects the increased risks. Long-term relationships with suppliers, the expansion of the supplier portfolio, and the development of its self-sufficiency are the core elements of this strategy, which is becoming in-

creasingly important in view of the present volatility on the raw materials markets. (For more details, please refer to the "Raw materials" chapter of this Annual Report).

» GUIDELINES FOR HEDGING RAW MATERIALS PRICE RISK

An internal guideline defines objectives, principles and responsibilities, in addition to methodology, processes, and decision-making processes for how raw materials risks are handled. Based on the acquired information and taking the individual distinctive characteristics of each raw material into consideration, price risks for the raw materials are hedged by executing delivery contracts containing fixed price agreements or by utilizing derivative financial instruments. Financial derivatives are primarily deployed to hedge fixed price agreements on the sales side and variable price agreements on the purchasing side.

» CO_2 ISSUES

Risks associated with CO_2 are covered separately in the "Environment" chapter of this Annual Report.

» FAILURE OF IT SYSTEMS

At the majority of the Group's sites, business and production processes, which are largely based on complex IT systems, are serviced by voestalpine group-IT GmbH, a company that specializes in IT and that is wholly owned by the Group holding company voestalpine AG. Due to the importance of IT security and in order to minimize possible IT breakdown and security risks, minimum security standards for IT have been developed. These minimum standards are regularly revised and adapted to new circumstances; compliance with these new standards is reviewed annually by way of an audit. In order to reduce the risk of unauthorized access to IT systems and applications to the greatest possible extent, additional periodic penetration tests are carried out. Additionally, in the past business year, an online campaign was again conducted to raise employees' awareness with regard to issues relating to IT security.

» FAILURE OF PRODUCTION FACILITIES

In order to minimize the risk of breakdowns of critical facilities, ongoing targeted and comprehensive investments are made in the technical optimization of sensitive units. Consistent preventive maintenance, risk-oriented storage of spare parts, and appropriate employee training are additional measures that are being taken.

» KNOWLEDGE MANAGEMENT

In order to sustainably safeguard knowledge, and especially to prevent the loss of know-how, complex projects have already been initiated and are consistently maintained. Available knowledge is permanently documented on an ongoing basis, while new findings from key projects as well as lessons learned as the result of unplanned events are incorporated accordingly. Detailed process documentation, especially in IT-supported areas, also contributes to secure knowledge management.

» RISKS IN THE FINANCIAL SECTOR

Financial risk management is organized centrally with respect to policy-making powers, strategy determination, and target definition. The existing rules and regulations include targets, principles, tasks, and responsibilities for both the Group Treasury and the financial department of each Group company. Financial risks are continuously monitored and—where this is feasible—hedged. In particular, the strategy aims to use natural hedges and to reduce fluctuations in cash flow and income. Market risks are largely secured through the use of derivative financial instruments that are used exclusively in connection with an underlying transaction.

Financing risks are hedged using the following measures:

» Liquidity risk

Liquidity risks generally consist of a company being potentially unable to raise the funds necessary to meet its financial obligations. Existing liquidity reserves enable the company to meet its obligations within the prescribed period, also during crisis periods. The primary instrument for managing liquidity risk is a precise financial plan drawn up quarterly on a revolving basis. Required financing and bank credit lines are determined by the central Group Treasury based on the consolidated operating results.

» **Credit risk**

Credit risk refers to financial losses that may occur through non-fulfillment of contractual obligations by individual business partners. The credit risk of the underlying transactions is minimized to a large degree through credit insurance and bankable securities (guarantees, letters of credit). The default risk for the Group's own remaining risk is managed by way of defined processes of credit assessment, risk evaluation, risk classification, and credit monitoring. As of March 31, 2017, 78% of our trade receivables were covered by credit insurance. Counterparty credit risk in financial contracts is managed by way of daily monitoring of ratings and any changes in the CDS levels (credit default swap) of the Group's counterparties.

» **Currency risk**

The primary objective of foreign currency risk management is to create a natural hedge (cross-currency netting) within the Group by bundling cash flows. The Group implements hedges centrally by means of derivative hedging instruments through the Group Treasury. voestalpine AG hedges budgeted (net) foreign currency payment flows for the next twelve months. Longer-term hedging is only carried out for contracted projects. The hedging ratios are between 25% and 100% of the budgeted payment flows for the next twelve months.

» **Interest rate risk**

voestalpine AG conducts the interest rate risk assessment centrally for the entire Group. This assessment specifically manages cash flow risk (the risk that interest expenses or interest income will undergo an adverse change). As of the reporting date of March 31, 2017, a hike of the interest rate by one percentage point will result in an increase of the net interest expense by EUR 13.1 million in the next business year. This is, however, an assessment of risk potential on the reporting date, and it can be subject to significant fluctuations over time. As voestalpine AG maintains a liquidity reserve to ensure availability of liquidity, it also has interest-bearing investments. In order to avoid interest rate risk stemming from these investments, interest rate exposure on the asset side—expressed by way of the modified duration—is coupled with interest rate exposure on the liability side (asset-liability management).

» **Price risk**

voestalpine AG also assesses price risk, primarily using scenario analyses to quantify interest and currency risk.

» **Compliance risks**

Compliance violations, e.g., antitrust and corruption violations, represent a significant risk and can have adverse effects, both with respect to financial damages and damage to the Group's reputation. We address these risks, particularly antitrust and corruption violations, by way of our compliance management system, but they cannot be entirely excluded. Regarding antitrust proceedings and allegations, see Chapter 19 in the notes.

» **UNCERTAINTIES STEMMING FROM LEGISLATION**

Energy tax rebate in Austria

With regard to the Austrian energy tax rebate, the Austrian Federal Tax Court *(Bundesfinanzgericht)* has submitted a request for a preliminary ruling to the ECJ (Federal Tax Court 10/31/2014, RE/5100001/2014). As a result of the amendment of the Energy Tax Rebate Act *(Energieabgabenvergütungsgesetz)* with the Budget Accompanying Act 2011 *(Bundesbegleitgesetz),* which applies to periods after December 31, 2010, the energy tax rebate was restricted to manufacturing companies. Subsequently, the question of whether this restriction, which may be deemed to constitute state aid, violated EU law was submitted to the European Court of Justice for a preliminary ruling; this has now been confirmed 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, among others, service providers in particular can retroactively assert the energy tax rebate for periods after February 1, 2011. In its subsequent decision, the Austrian Federal Tax Court ruled that the restriction to manufacturing companies had not come into force. The Austrian Federal Tax is appealing this decision to the Austrian Supreme Administrative Court *(Verwaltungsgerichtshof).* No adverse impact is anticipated for the voestalpine Group.

ECONOMIC AND FINANCIAL CRISIS

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, and these measures continued to be consistently implemented in the last business year and will continue in the coming years. These measures are in particular targeted at

- Minimizing the negative effects that a recessionary economic trend would have on the Group by means of relevant planning precautions (scenario planning),
- Maintaining high product quality with concurrent continual increases in efficiency and ongoing cost optimization,
- Having sufficient financial liquidity available even in the event of constricted financial markets, and
- Securing in-house expertise even more efficiently than before with a view to continuing the long-term expansion of the Group's quality and technology leadership

Concrete measures to eliminate or minimize the risks previously identified within the voestalpine Group have been developed and implemented. These measures are aimed at reducing potential losses and/or minimizing the likelihood of losses occurring.

It can be stated that, from today's perspective, the voestalpine Group is exposed to limited, manageable risks that do not threaten the continuation of the Group as a going concern. There is no indication of any risks that endanger the future survival of the Group.

REPORT ON THE KEY FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS WITH REGARD TO ACCOUNTING PROCEDURES

In accordance with Section 243a (2) of the Austrian Commercial Code *(Unternehmensgesetzbuch, UGB),* companies whose shares are traded on the regulated markets must describe the key features of their internal control and risk management system with regard to accounting procedures in their management reports.

It is the responsibility of the Management Board to establish a suitable internal control and risk management system for accounting procedures pursuant to Section 82 of the Austrian Stock Corporation Act *(Aktiengesetz, AktG).* Therefore, the Management Board of voestalpine AG has adopted guidelines that are binding for the entire Group.

In line with the decentralized structure of the voestalpine Group, the local management of each Group company is obligated to establish and refine an internal control and risk management system for accounting procedures that meets the requirements of that individual company and ensures compliance with existing Group-wide guidelines and regulations.

The entire process, from procurement to payment, is subject to strict and unified Group-wide guidelines that are designed to reduce the risks associated with the business processes to a minimum. These Group guidelines set forth measures and rules for avoiding risk, such as the separation of functions, signature authority rules, and particularly signatory powers for authorizing payments that apply only collectively and are limited to only a few persons (four-eyes principle).

In this context, control measures for IT security constitute a cornerstone of the internal control system. Issuing IT authorizations restrictively supports the separation and/or segmentation of sensitive activities. Accounting in the individual Group companies is largely performed using SAP software. The reliability of these SAP systems is being guaranteed by automated business process controls that are built into the system as well as by other methods. Reports about critical authorizations and authorization conflicts are generated automatically.

In preparing the consolidated financial statements, the data for fully consolidated entities is transferred to the unified Group consolidation and reporting system.

The unified Group accounting policies for recording, posting, and recognition of commercial transactions are regulated in the voestalpine consolidated financial statements handbook and are binding for all Group companies.

On the one hand, automatic controls built into the reporting and consolidation system, together with numerous manual reviews on the other are implemented in order to avoid material misstate-

ments to the greatest extent possible. These controls extend from management reviews and discussions of income and expenses for each period to the specific reconciliation of accounts. The summarizing presentation of how the Group reports its accounting processes is provided in the voestalpine AG controlling handbook.

The accounting and controlling departments of the individual Group companies submit monthly reports with key performance indicators (KPIs) to their own managing directors and management boards of the divisions, and, after approval, to the holding division Corporate Accounting & Reporting to be aggregated, consolidated, and reported to the Group Management Board. Quarterly reports include additional information, such as detailed target-performance comparisons, and follow a similar process. Quarterly reports are submitted to the supervisory board, management board or advisory board of each Group company and a consolidated report is submitted to the Supervisory Board of voestalpine AG.

Besides operational risks, accounting procedures are also subject to the Group risk management. In this context, possible risks regarding accounting are analyzed on a regular basis, and measures to avoid them are taken. The focus is placed on those risks that are regarded as fundamental to the activities of that company. Compliance with the internal control system, including the required quality standards, is monitored on an ongoing basis in the form of audits at the Group company level. The Internal Audit department works closely with the responsible Management Board members and managing directors. The Internal Audit department reports directly to the CEO and submits reports periodically to the Management Board and, subsequently, to the Audit Committee of the Supervisory Board of voestalpine AG.

The control systems and their Group-wide implementation are also subject to audit procedures by the auditor within the scope of the inspection of the annual financial statements and the consolidated annual financial statements to the extent that these control systems are relevant to the preparation of the Group's consolidated financial statements and to a true and fair view of the Group's financial position.

HOLDINGS OF OWN SHARES

Holdings of own shares for the purpose of issuing shares to employees and executives of the Company and affiliated companies under the existing employee stock ownership plan as of March 31, 2017, are as follows:

	Own shares in thousands of shares	Percentage of share capital	Percentage of share capital in thousands of euros
As of 03/31/2016	**28.6**	**0.0**	**52.0**
Additions in 2016/17	0.0	0.0	0.0
Disposals in 2016/17	0.0	0.0	0.0
Depreciation 2016/17	0.0	0.0	0.0
As of 03/31/2017	**28.6**	**0.0**	**52.0**

The own shares have been held by the Company for years.

DISCLOSURES ON CAPITAL, SHARE, VOTING, AND CONTROL RIGHTS AND ASSOCIATED OBLIGATIONS

As of March 31, 2017, the share capital of voestalpine AG amounted to EUR 320,394,836.99 (March 31, 2016: EUR 317,851,287.79) and is divided into 176,349,163 (March 31, 2016: 174,949,163) no-par value bearer shares. There are no restrictions on voting rights (1 share = 1 vote). voestalpine AG is unaware of any agreements among its shareholders or between its shareholders and third parties that restrict voting rights or the transfer of shares.

Raiffeisenlandesbank Oberösterreich Invest GmbH & Co OG, Linz, Austria, as well as the voestalpine Mitarbeiterbeteiligung Privatstiftung (a private foundation for the Company's employee participation plan), Linz, Austria, each hold more than 10% (and less than 15%) of the Company's share capital. Oberbank AG, Linz, holds more than 5% (and less than 10%).

The Management Board of voestalpine Mitarbeiterbeteiligung Privatstiftung exercises the voting rights of shares that are held in trust by voestalpine Mitarbeiterbeteiligung Privatstiftung for the employees of the Group companies of voestalpine AG participating in the employee participation plan. However, the way in which the voting rights are exercised requires the approval of the Advisory Board of voestalpine Mitarbeiterbeteiligung Privatstiftung. The Advisory Board decides on the approval with a simple majority. The Advisory Board is constituted on a basis of parity, with six members representing employees and six members representing the employer. The Chairman of the Advisory Board, who must be appointed by the employee representatives, has the deciding vote in the event of a tie.

With regard to the Management Board's powers that are not derived directly from applicable statutes, such as the purchase of the Company's own shares, authorized or contingent capital, reference is made to item 17 (Equity) of the notes to the consolidated financial statements 2016/17.

The hybrid bond issued in March 2013 with a volume of EUR 500 million, EUR 500 million fixed-interest securities 2011–2018, EUR 500 million fixed-interest securities 2012–2018, EUR 400 million fixed-interest securities 2014–2021, the promissory note loans in the amount of a total of EUR 638.5 million and USD 100 million, and the syndicated loan executed in March 2015 in the amount of EUR 900 million (used for general corporate purposes and to refinance the syndicated loan 2011; of which EUR 600 million is being used as a revolving credit facility to ensure liquidity) and bilateral loan agreements amounting to EUR 486 million and USD 399.5 million contain so-called change-of-control clauses. With the exception of the hybrid bond, according to the terms of these financing agreements, the bondholders or the lending banks have the right to demand redemption of their bonds or repayment of their loans if control of the company changes. Under the terms and conditions of the hybrid bond issue, the fixed interest rate (interest rate during the fixed-interest periods) and/or the margin (interest rate during the variable interest periods) go up by 5% 61 days after a change in control occurs.

voestalpine AG has the right to call and redeem the bonds no later than 60 days after a change in control. According to the terms and conditions of the aforementioned bonds and financing agreements, control by voestalpine AG changes when a controlling interest within the meaning of the Austrian Takeover Act *(Übernahmegesetz)* is acquired by another party.

The company has no compensation agreements with the members of the Management Board, Supervisory Board, or employees in the event of a public takeover bid.

OUTLOOK

"... the voestalpine Group should be able to achieve an (adjusted) operating result (EBITDA) and (adjusted) profit from operations (EBIT) in the business year 2016/17 that will at least come close to the (adjusted) figures in the past business year even if the economic environment remains challenging. Due to the extreme political and economic uncertainties in the current environment, making any additional forecast would contradict the requirements of responsible corporate and capital market communication." This was last year's outlook for the business year 2016/17 now ended. The earnings growth projected at the time was even slightly exceeded but from today's perspective, there is little to add to the reference to political uncertainties in the environment. This is just as relevant for the coming twelve months as it was a year ago.

While the critical statements on the global political conditions made in the previous year continue to apply in full, the economic outlook is today much brighter than a year earlier. This has also been increasingly reflected in the economic forecasts of well-known economic institutions such as the International Monetary Fund or the OECD since the fall of 2016.

Surprisingly, the challenging political environment has not had any real negative impact on this upward trend, at least not yet. The current upswing is being driven first and foremost by a return to stable positive economic growth in China since the previous year and the growth momentum in Europe, which is much stronger than anticipated in both scope and intensity. The global upward trend will also be buoyed somewhat by continued strong economic growth in India, as well as the expectation that Brazil and Russia should achieve an economic turnaround this year following a longer recession in both countries.

The USA is currently contributing less to growth than hoped for at the beginning of 2017. Its economic development over the course of the year will largely depend on the new government's forthcoming decisions on the country's fiscal and economic policy going forward.

Demand in many customer segments at the beginning of the new business year is more uniform and overall significantly more positive than a year ago. As well as ongoing strong demand from the automotive industry, the upturn is also supported by sectors such as aircraft, the consumer goods, white goods, and electrical industries, and parts of the mechanical engineering sector, as well as signs of a recovery in the (European) construction industry and an improvement—primarily volume--driven—in the oil and gas sector. Demand is weaker in the rail sector (infrastructure), especially in Europe. Conventional energy generation (construction of power plants and energy engineering) in Europe has been very modest for years now as a consequence of the energy transition ("Energiewende").

Prices for the primary raw materials used in steel production (iron ore, metallurgical coal, scrap) should settle somewhat over the course of the

year following an extremely volatile phase since the fall of 2016.

Based on this economic trend, the voestalpine Group should record strong revenue and earnings in the first half of the new business year, with figures significantly higher than in the same period of the previous year. However, the economic trend in the second half of the business year will only be able to be assessed in concrete terms after the coming summer.

In light of the fact that

- a number of recent major investments—such as the HBI plant in Texas, USA, the new wire production in Leoben/Donawitz, Austria, and several downstream investments in Europe, the USA, and China—will be fully included in the voestalpine Group's revenue and earnings for the first time in the course of the business year,
- steel and steel processing capacities, including the heavy plate sector, are already largely utilized until the end of the business year and the increasingly strong downstream focus is leading to comparably stable business development,
- the effect of any US trade barriers and pressure from European steel imports at dumping prices on voestalpine products should be limited overall,
- the Group-wide cost and efficiency optimization program being implemented is expected to further strengthen the Group's competitiveness,

a clearly positive revenue and earnings development is expected from today's perspective despite uncertainties in the outlook for the voestalpine Group in the second half of the business year 2017/18.

Linz, May 24, 2017

The Management Board

Wolfgang Eder

Herbert Eibensteiner

Franz Kainersdorfer

Robert Ottel

Franz Rotter

Peter Schwab

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