LETTER TO SHAREHOLDERS

1st Half 2018/19

voestalpine AG
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ONE STEP AHEAD.

voestalpine GROUP
KEY FIGURES

Q 1 2018/19 VS. Q 2 2018/19

In millions of euros	Q 1 2018/19 04/01 – 06/30/2018	Q 2 2018/19 07/01 – 09/30/2018	Change in %
Income statement			
Revenue	3,469.0	3,205.0	–7.6
EBITDA	513.0	347.1	–32.3
Depreciation	189.2	191.4	1.2
EBIT	323.8	155.7	–51.9
Profit before tax	294.3	127.2	–56.8
Profit after tax[1]	224.4	91.8	–59.1
Statement of financial position			
Investments in tangible and intangible assets and interests	207.7	266.9	28.5
Equity	6,763.3	6,550.9	–3.1
Net financial debt	3,314.4	3,599.0	8.6
Net financial debt in % of equity (gearing)	49.0%	54.9%	
Financial key figures			
EBITDA margin	14.8%	10.8%	
EBIT margin	9.3%	4.9%	
Cash flow from operating activities	–3.0	168.0	
Share information			
Share price, end of period (euros)	39.45	39.40	–0.1
Market capitalization, end of period	6,955.8	6,947.0	–0.1
Number of outstanding shares, end of period	176,320,566	176,320,566	0.0
EPS – earnings per share (euros)	1.21	0.48	–60.3
Personnel			
Employees (full-time equivalent), end of period	51,827	51,931	0.2

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

H 1 2017/18 VS. H 1 2018/19

In millions of euros	H 1 2017/18 04/01–09/30/2017	H 1 2018/19 04/01–09/30/2018	Change in %
Income statement			
Revenue	6,302.3	6,674.0	5.9
EBITDA	968.9	860.1	–11.2
Depreciation	384.6	380.6	–1.0
EBIT	584.2	479.5	–17.9
Profit before tax	513.6	421.5	–17.9
Profit after tax[1]	388.9	316.2	–18.7
Statement of financial position			
Investments in tangible and intangible assets and interests	337.9	474.6	40.5
Equity	6,183.8	6,550.9	5.9
Net financial debt	3,310.3	3,599.0	8.7
Net financial debt in % of equity (gearing)	53.5%	54.9%	
Financial key figures			
EBITDA margin	15.4%	12.9%	
EBIT margin	9.3%	7.2%	
Cash flow from operating activities	381.9	165.0	–56.8
Share information			
Share price, end of period (euros)	43.15	39.40	–8.7
Market capitalization, end of period	7,607.4	6,947.0	–8.7
Number of outstanding shares as of September 30	176,320,566	176,320,566	0.0
EPS – earnings per share (euros)	2.09	1.69	–19.1
Personnel			
Employees (full-time equivalent), end of period	50,638	51,931	2.6

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

INTERIM MANAGEMENT REPORT

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

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

There is no doubt that, at the macroeconomic level, developments during the first half of the business year 2018/19 were shaped primarily by the global trade war that the United States started. Besides China—the main target so far of the protectionist policies—as well as a number of other countries, the US has also antagonized erstwhile allies such as Europe and made abundantly clear even to its closest neighbors, Canada and Mexico, by terminating NAFTA that it was interested in more than merely amending the trade agreement. The economies of the countries that are key to the voestalpine Group developed along different trajectories in this environment.

EUROPE

The protectionist aims of the United States did not have much of an impact on economic activity in Europe during the first half of the business year 2018/19—at least until now. Domestic European demand, in particular, has been solid in most countries and industries and thus has provided the basis for the growth momentum that remained strong throughout almost the entire period.

Not until the second quarter of the business year 2018/19 did slightly weakening growth rates and falling indicators of economic sentiment such as the PMI Composite or the EU Sentiment Indicator point to a slight slowing in economic growth down the road.

Aside from Great Britain (which is hamstrung by the Brexit issue), however, the German economy also developed along a slightly weaker trajectory within the rather solid environment overall that held sway in Europe during the first half of the business year 2018/19. In addition to more moderate revenue from foreign trade on the whole and shrinking exports, this was due mainly to the substantially subdued performance of the automotive industry especially in response to problems associated with the implementation of the new emissions testing rules, the so-called Worldwide Harmonized Light Vehicle Test Procedure (WLTP). Given the relevance of the automotive industry to the economy on the whole for Germany as an important business center, its downturn had a major impact on industrial production statistics. voestalpine benefitted in the first few months of the current business year from otherwise solid demand across all sectors. Particularly the construction industry, but the mechanical engineering industry also, were borne along by strong demand that continued unabated throughout Europe. Compared to the previous quarters, the Railways segment did develop some momentum, but the latter was largely limited to volume and prices are still lagging far behind.

The distortions in the automotive industry that stem from the new emissions tests finally also impacted the voestalpine Group toward the end of the first half of the business year in the form of slightly lower order volumes. Even the changes in international trade flows resulting from increasingly protectionist economic policies in an ever increasing number of countries, which we merely observed at the beginning, actually started to have negative effects at the end of the first half of the business year 2018/19 on tool steel prices in Europe, for example.

NORTH AMERICA

Economic growth in North America remained strong on the whole during the first half of the business year 2018/19. Consumer confidence has remained high and thanks not least to strong domestic demand, which continues unabated, the general economic climate has not been affected either by the most recent trade war conflicts. All of this is playing out against the backdrop of an unemployment rate that is as low as it last was in 1969 and thus is causing household income in the US to grow again for the first time in years. And the recently signed new trade agreement with Canada and Mexico (USMCA) has put an end to the widespread uncertainty that the termination of NAFTA had triggered, thus further strengthening people's confidence in positive economic growth.

The punitive tariffs that took effect in June 2018 on national security grounds (Section 232) have helped the US steel industry to enact massive price increases. So far, the resistance of the processing industries has been negligible, possibly also on account of last year's tax reform that led to significant reductions in corporate taxes.

The voestalpine Group has profited from this exceedingly positive economic environment thanks to excellent demand from the aerospace industry, the storage technology sector, and the construction industry in general. This also applies to the railway infrastructure segment that has been showing substantial signs of a recovery after mere moderate demand just a year earlier. By contrast, the voestalpine Group has been unable to benefit fully from the developments in the oil and natural gas industry, which experienced highly pleasing demand growth overall in the first half of the business year 2018/19, due to the punitive US tariffs. In the automotive industry, which is contracting a bit in North America yet still developing at a high level, to date voestalpine has supported primarily the US activities of European automotive manufacturers. Several new facilities are currently being started up simultaneously at the Group's largest and most complex automotive components plant in North America, which is located in Cartersville, Georgia; the associated start-up costs will continue to impact the plant's bottom line up to the summer of 2019.

SOUTH AMERICA / BRAZIL

While the Brazilian economy on the whole is on track for a recovery, so far the actual process has been very slow to start after four years of recession. Aside from negative political headlines and many months of presidential electioneering, the gradual strengthening of the US dollar against the Brazilian real and rising interest rates in the dollar sphere are also inhibiting the recovery. The Brazilian currency has been highly volatile, furthermore, and the critical state of affairs in South America overall, especially in Argentina and Venezuela, has not provided much support either.

In contrast to this macroeconomic environment, which remains critical, voestalpine's Brazilian entities in the tool steel, special materials, special sections, and railway systems infrastructure business segments have delivered solid growth.

ASIA / CHINA

China, the main target of the current US Administration's protectionist trade policies, is suffering increasingly from their fallout, even though the published economic data continue to paint a robust picture. The Chinese central government reacted immediately in the spring of 2018 to the fears of dampened economic growth by lowering interest rates and enacting stimulus packages. This not only improved the economic sentiment in general but also boosted investments. Most recently, however, exports have declined anyway in the face of the country's trade war with the United States.

In this environment, voestalpine benefitted in the railway infrastructure sector from the renewed strength of infrastructure investments, whereas the market for tool steel has shown clear signs of a slowdown, which stems not least from the downward trend in the automotive segment.

REPORT ON THE FINANCIAL KEY PERFORMANCE INDICATORS OF THE voestalpine GROUP

While the revenue of the voestalpine Group rose by 5.9% from EUR 6,302.3 million in the first half of the business year 2017/18 to EUR 6,674.0 million in the first half of the business year 2018/19, the results for the current period fall short year over year for a number of reasons. While all four of the Group's divisions succeeded in lifting revenue, only the High Performance Metals Division and the Metal Engineering Division posted higher earnings.

Among other things, the growth of revenue in the Steel Division stems from an improved product mix in the Heavy Plate business segment which, in turn, stems from the delivery of very high-quality products for the oil and natural gas sector in the first six months of the business year 2018/19. Together with slight price increases on the whole compared to the previous year, this enabled the division to more than offset the declines in volume resulting from the major overhaul of its most important blast furnace. In terms of volume, the loss of production capacity owing to the repairs was largely offset through purchases of slabs from third parties and the use of the pre-materials inventory that had been built up for this purpose, thus ensuring continuous supplies to the downstream rolling facilities. For reasons related to both logistics and production, however, deliveries declined year over year on account of the repairs by some 10%. Both the repair-related unavailability of the blast furnace during a period of more than three and one half months and the associated peripheral costs (replacement purchases of electricity and natural gas, etc.) are the main reasons for the Steel Division's earnings decline in the first half of the business year 2018/19.

The High Performance Metals Division, by contrast, posted not only a revenue increase in the first two quarters of the business year 2018/19 compared with the previous year, but also improved earnings. This development is due both to higher prices and a slight increase in unit sales.

The Metal Engineering Division, for its part, also succeeded in delivering year-over-year gains in the first six months of the business year 2018/19 with respect not just to revenue but also to earnings. Here, particularly the growth in delivery volumes for seamless tubes, the greater demand for welding consumables as well as the increase in the sales prices for wire technology had a positive impact on revenue. In terms of earnings, the Wire Technology business segment achieved substantial growth, because the start-up phase of the new wire rolling mill had negatively affected its performance the previous year. In addition, this segment took a non-recurring EUR 15 million write-off in the previous year, with the resulting negative effect on its profit from operations (EBIT). The Metal Forming Division, by contrast, succeeded in boosting its revenue in the (first half of the) business year 2018/19, but had to contend with a simultaneous decline in profitability. Both the fact that higher pre-materials prices were passed on and the ongoing expansion of the division's international activities in the Automotive Components business segment were responsible for the division's revenue growth. The increase in the start-up costs of new facilities for the automotive industry in North America, for one, and the slight reduction in earnings in the Tubes & Sections segment, for another, were the main factors in its earnings decline.

Against this backdrop, the operating result (EBITDA) of the voestalpine Group was down by 11.2% in the first half of the business year 2018/19, falling from EUR 968.9 million in the same period of the previous year to currently EUR 860.1 million. The profit from operations (EBIT) dropped in the same period from EUR 584.2 million to EUR 479.5 million—a decline of 17.9%. However, both EBITDA and EBIT also contain a total of EUR 7.7 million in negative non-recurring effects from the required adjustment of the provisions for long-service bonuses (see the Notes for details). The profit before tax fell by the same rate as EBIT, specifically, from EUR 513.6 million in the first half of the business year 2017/18 to EUR 421.5 million in the first half of the business year 2018/19—a decline of 17.9%, too. Year over year, the profit after tax dropped 18.7% from EUR 388.9 million to EUR 316.2 million.

Due to the positive earnings growth in the past 12 months, the equity of the voestalpine Group rose from EUR 6,183.8 million as of September 30, 2017, to EUR 6,550.9 million as of September 30, 2018. At EUR 6,554.3 million, equity remained stable relative to the March 31, 2018 reporting date. Net financial debt rose year over year, specifically, from EUR 3,310.3 million as of September 30, 2017, to EUR 3,599.0 million as of September 30, 2018. For the most part, this is due to the substantial increase in working capital which, in turn, stemmed from higher costs for raw materials but also from the general growth of the Group's business—particularly the international expansion of its activities in the Automotive Components business segment of the Metal Forming Division. Relative to the

March 31, 2018, reporting date (EUR 2,995.1 million), net financial debt rose to a greater extent owing to the fact that, aside from the aforementioned increase in working capital, the distribution of some EUR 250 million in dividends has a stronger effect, mathematically speaking, in the second business quarter. Against this backdrop, the gearing ratio (i.e. net financial debt as a percentage of equity) rose slightly year over year, from 53.5% as of September 30, 2017, to 54.9% as of September 30, 2018; it was much higher, however, relative to the March 31, 2018, reporting date (45.7%).

As of September 30, 2018, the voestalpine Group had 51,931 employees (FTE), which corresponds to a 2.6% increase year over year, up from 50,638 employees. This is 0.6% higher than the number as of the March 31, 2018, reporting date (51,621 employees).

COMPARISON OF THE QUARTERLY AND SIX-MONTH FIGURES OF THE voestalpine GROUP

In millions of euros	Q 1		Q 2		H 1		
	2017/18 04/01–06/30/2017	**2018/19** 04/01–06/30/2018	**2017/18** 07/01–09/30/2017	**2018/19** 07/01–09/30/2018	**2017/18** 04/01–09/30/2017	**2018/19** 04/01–09/30/2018	**Change in %**
Revenue	3,251.5	3,469.0	3,050.8	3,205.0	6,302.3	6,674.0	5.9
EBITDA	513.8	513.0	455.1	347.1	968.9	860.1	–11.2
EBITDA margin	15.8%	14.8%	14.9%	10.8%	15.4%	12.9%	
EBIT	328.8	323.8	255.4	155.7	584.2	479.5	–17.9
EBIT margin	10.1%	9.3%	8.4%	4.9%	9.3%	7.2%	
Profit before tax	292.4	294.3	221.3	127.2	513.6	421.5	–17.9
Profit after tax	218.4	224.4	170.5	91.8	388.9	316.2	–18.7
Employees (full-time equivalent)	50,047	51,827	50,638	51,931	50,638	51,931	2.6

Net financial debt can be broken down as follows:

NET FINANCIAL DEBT

In millions of euros	**09/30/2017**	**09/30/2018**
Financial liabilities, non-current	3,492.6	2,376.3
Financial liabilities, current	1,151.6	1,756.7
Cash and cash equivalents	–731.6	–264.0
Other financial assets	–584.9	–256.0
Loans and other receivables from financing	–17.4	–14.0
Net financial debt	**3,310.3**	**3,599.0**

STEEL DIVISION

QUARTERLY DEVELOPMENT OF THE STEEL DIVISION

In millions of euros	Q 1		Q 2		H 1		
	2017/18 04/01–06/30/2017	2018/19 04/01–06/30/2018	2017/18 07/01–09/30/2017	2018/19 07/01–09/30/2018	2017/18 04/01–09/30/2017	2018/19 04/01–09/30/2018	Change in %
Revenue	1,213.3	1,276.4	1,085.5	1,139.2	2,298.8	2,415.6	5.1
EBITDA	227.8	223.9	214.9	118.5	442.7	342.4	–22.7
EBITDA margin	18.8%	17.5%	19.8%	10.4%	19.3%	14.2%	
EBIT	150.2	145.0	137.7	36.7	287.9	181.7	–36.9
EBIT margin	12.4%	11.4%	12.7%	3.2%	12.5%	7.5%	
Employees (full-time equivalent)	10,810	11,111	10,905	10,972	10,905	10,972	0.6

MARKET ENVIRONMENT AND BUSINESS DEVELOPMENT

In Europe, the demand for steel continued to grow in the first nine months of the 2018 calendar year, thus largely continuing the previous year's trend. The driving force behind the stable demand momentum has been the European construction industry in general (excepting Great Britain's, where the economic sentiment has continued to darken owing to the Brexit vote), which is key to capacity utilization overall in the steel industry. The mechanical engineering industry also succeeded in further boosting its production capacity in the business year to date over and above the previous year's very solid scenario, whereas the consumer goods industry has seen a slight weakening in recent months. Demand from the automotive industry also followed a highly positive trajectory up to the summer. But orders for components were cancelled on short notice and in part to a significant degree after the previously announced and in part extended summer closures. This development was triggered primarily by the new emissions testing procedure (WLTP), which has applied to all new vehicle registrations since September 2018. Against the backdrop of the continued stability of the economy on the whole, the steel producers in the European Union (EU) succeeded in slightly lifting pig iron production in the first three quarters of 2018 compared with the previous year.

The statistics on the importation of flat steel products into the EU also reflect Europe's strong economic momentum, which continues unabated. These statistics point to a dramatic year-over-year increase especially in the third calendar quarter (which equates to voestalpine's second business year quarter). Aside from the solid development of the European market, this trend is also rooted in trade diversion measures in response to the intensifying protectionist policies of the US Administration. Hence the European Union for its part reacted to the "protective" tariffs on steel imports into the US that took effect on July 1, 2018, by enacting so-called "Safeguard Measures" aimed at tamping down on import pressures resulting from diversion effects in the global stream of goods. Notwithstanding these non-recurring effects, both the cost of raw materials and steel prices have largely tracked a slight upward trend in the business year 2018/19 to date.

However, the Steel Division benefitted from the solid market development overall in the first half of the business year 2018/19 only to a limited extent, because the major overhaul of the Group's largest blast furnace at its Linz, Austria, site that had been planned for a long time started in early June after 14 years of continuous operation, thus dramatically curtailing the production of pig iron for more than three and one half months. While the fact that an extensive (slab) pre-materials inventory had been put in place ahead of time and additional materials were purchased as necessary during the maintenance work ensured fairly solid capacity utilization of the downstream rolling facilities, delivery volumes for the first six months of the business year 2018/19 are about 10% lower year over year nonetheless.

Aside from the industrial sectors already discussed in the foregoing, the situation in the oil and natural gas sector (the most important customer segment of the Heavy Plate business segment) was stable at a positive level in the first half of the business year 2018/19 thanks to work on highly sophisticated specifications related especially to deep sea pipeline projects. The market environment of the direct reduction plant in Corpus Christi, Texas, USA, was very attractive during the first six months of the business year 2018/19, but both planned and unplanned production stoppages led to significantly lower than normal capacity utilization. While a three-week maintenance shutdown was carried out as planned in June, heavy rains and floods made a two-week production shutdown necessary in September.

FINANCIAL KEY PERFORMANCE INDICATORS

Year over year, the Steel Division succeeded in lifting its revenue by 5.1% from EUR 2,298.8 million in the first half of 2017/18 to EUR 2,415.6 million in the first half of the current business year despite the massive limitations stemming from the major overhaul of the blast furnace. This increase is mainly due to the aforementioned attractive product mix in the Heavy Plate segment, but also to the slight increase in steel strip prices resulting from the minor increase in the cost of raw materials. This made it possible to more than offset the 10% reduction in delivery volumes caused by the maintenance work on the large blast furnace.

In terms of earnings, however, the (planned) loss of the most important pig iron facility was the main reason for the substantial downturn in the first half of the business year 2018/19. Moreover, the Texas HBI plant—as described above—was confronted with (planned and unplanned) production stoppages and resulting reductions in capacity utilization over several weeks. Against this backdrop, the operating result (EBITDA) declined by 22.7% from EUR 442.7 million (margin of 19.3%) in the first half of the business year 2017/18 to EUR 342.4 million (margin of 14.2%) in the first half of the business year 2018/19. The profit from operations (EBIT) fell in the same period by 36.9% from EUR 287.9 million (margin of 12.5%) to EUR 181.7 million (margin of 7.5%).

Quarter to quarter, the key financial indicators of the Steel Division dropped sharply for seasonal reasons, but especially owing to the ramifications of the blast furnace repairs, which impacted mainly the business year's second quarter. Revenue thus declined by 10.7% from EUR 1,276.4 million in the first quarter of the business year 2018/19 to EUR 1,139.2 million in the second quarter. The losses had an even greater impact on earnings. Quarter to quarter, EBITDA dropped by almost one half from EUR 223.9 million to EUR 118.5 million, in turn causing the EBITDA margin to drop from 17.5% to 10.4% and EBIT by 74.7% from EUR 145.0 million (margin of 11.4%) to EUR 36.7 million (margin of 3.2%).

As of September 30, 2018, the number of employees (FTE) in the Steel Division was 10,972 or 0.6% higher than the past year's figure of 10,905. Compared with the number of employees (11,020) at the end of the business year 2017/18, this represents a marginal decrease of 0.4%.

HIGH PERFORMANCE METALS DIVISION

QUARTERLY DEVELOPMENT OF THE HIGH PERFORMANCE METALS DIVISION

In millions of euros	Q 1		Q 2		H 1		
	2017/18 04/01–06/30/2017	2018/19 04/01–06/30/2018	2017/18 07/01–09/30/2017	2018/19 07/01–09/30/2018	2017/18 04/01–09/30/2017	2018/19 04/01–09/30/2018	Change in %
Revenue	739.3	780.3	692.1	765.6	1,431.4	1,545.9	8.0
EBITDA	127.4	129.2	99.1	100.6	226.5	229.8	1.5
EBITDA margin	17.2%	16.6%	14.3%	13.1%	15.8%	14.9%	
EBIT	89.6	91.9	62.6	63.8	152.2	155.7	2.3
EBIT margin	12.1%	11.8%	9.0%	8.3%	10.6%	10.1%	
Employees (full-time equivalent)	13,823	14,344	13,950	14,528	13,950	14,528	4.1

MARKET ENVIRONMENT AND BUSINESS DEVELOPMENT

While the market environment of the High Performance Metals Division was still very solid overall at the start of the business year 2018/19, since then individual market segments and economic regions have started to weaken. Particularly the automotive industry in both Europe and China, which is important to the development of demand for high-grade tool steel, has lost momentum in the past six months. The numbers coming out of the consumer goods industry also show a slight decline compared with the preceding quarters. On the whole, demand for tool steel trended negative owing to numerous countries' increasingly protectionist policies.

By contrast, investments in the oil and natural gas sector have risen during the business year to date as a result of advancing oil prices, further boosting order levels in this segment. Aside from the increase in project activity that is aimed at developing new oil and natural gas fields, the repair business has grown as well, especially in the United States, the technology leader. Our local presence in Europe, North America, and Asia—which enables us to maintain our own inventories and thus offers pre-processing opportunities—turns out to be an important factor in our ability to stand out from the competition in this connection. The market environment of the aerospace industry also remained solid. Investments in high-tech forging facilities for sophisticated aircraft components, whose capacity utilization is secured for years at a time under long-term contracts, help to support the above-average growth we expect to achieve in this industry in the coming years.

Regionally speaking, in Europe the High Performance Metals Division benefitted from very solid market conditions in the mechanical engineering and commercial vehicle industry. Just as in the United States, order activity in this region's oil and natural gas sector grew as well, while competitive pressures in the European toolmaking industry have intensified not least on account of diversion effects stemming from the punitive tariffs in the United States. Yet the division delivered altogether stable performance in North America—especially because most of our applications for exemptions from the US's punitive tariffs in the tool steel segment were granted. The Mexican market also developed along a stable trajectory overall.

The upward trend in Brazil, which had already begun to make itself felt the previous year, continued in the current business year. Order activity particularly in the oil and natural gas industry continued to improve in this, South America's most important economic region. Not least export activities to the United States were supported due to the weakening of the Brazilian real against the US dollar.

In contrast to South America, the market environment in China was dominated by slowing economic sentiment, and the rising tariffs particularly on exports to the US that affect primarily the consumer goods industry had a dampening effect. Sales volumes in China's automotive industry also declined most recently.

Manufacturing capacity utilization rates in the High Performance Metals Division were largely satisfactory in the first six months of the business year 2018/19. As usual, the seasonal slowdown in demand during the summer was used for extensive maintenance work. The Value Added Services business segment, which distinguishes itself from the competition through both its customer proximity and its global positioning, succeeded in further strengthening its market position by continuing to expand its range of services.

FINANCIAL KEY PERFORMANCE INDICATORS

Year over year, the High Performance Metals Division boosted both revenue and results. Revenue grew by 8.0%, from EUR 1,431.4 million in the first half of 2017/18 to EUR 1,545.9 million in the first half of the current business year; this increase is due both to higher pricing that stems from higher scrap and alloy prices as well as sales gains. On the delivery side, the division's performance particularly in the first quarter of 2018/19 was excellent, whereas delivery volumes in the second quarter were more or less the same as in the previous year. The operating result (EBITDA) improved by 1.5% from EUR 226.5 million in the previous year to EUR 229.8 million in the first six months of the current business year, but the greater revenue growth lowered the EBITDA margin from 15.8% to 14.9%. Following a similar trajectory, the profit from operations (EBIT) rose year over year by 2.3% from EUR 152.2 million (margin of 10.6%) to EUR 155.7 million (margin of 10.1%).

The quarter-to-quarter comparison shows that the key financial indicators for the second quarter of the business year 2018/19 fell short of those for the first quarter for seasonal reasons, but also on account of partial slowdowns at the regional level. At EUR 765.6 million, therefore, revenue for the second quarter was 1.9% less than in the first quarter (EUR 780.3 million). EBITDA fell in the same period by 22.1% from EUR 129.2 million (margin of 16.6%) to EUR 100.6 million (margin of 13.1%). In addition, a required adjustment in the provisions for long-service bonuses (see the Notes for details) resulted in a negative non-recurring effect of EUR 1.5 million on earnings in the second quarter of the business year 2018/19. From the first to the second quarter of the current business year, the profit from operations (EBIT) dropped from EUR 91.9 million by 30.6% to EUR 63.8 million, causing the EBIT margin to decline from 11.8% to 8.3%.

As of the end of the first half of the business year 2018/19, the number of employees (FTE) was 14,528 and thus 4.1% higher than the figure (13,950) for the same quarter of the previous business year. Relative to the figure (14,274) as of the end of the previous business year, the number of employees has risen by 1.8%.

METAL ENGINEERING DIVISION

QUARTERLY DEVELOPMENT OF THE METAL ENGINEERING DIVISION

In millions of euros	Q 1		Q 2		H 1		
	2017/18 04/01–06/30/2017	2018/19 04/01–06/30/2018	2017/18 07/01–09/30/2017	2018/19 07/01–09/30/2018	2017/18 04/01–09/30/2017	2018/19 04/01–09/30/2018	Change in %
Revenue	770.0	799.8	741.2	747.6	1,511.2	1,547.4	2.4
EBITDA	87.2	98.5	90.5	85.3	177.7	183.8	3.4
EBITDA margin	11.3%	12.3%	12.2%	11.4%	11.8%	11.9%	
EBIT	47.0	56.3	34.4	44.4	81.4	100.7	23.7
EBIT margin	6.1%	7.0%	4.6%	5.9%	5.4%	6.5%	
Employees (full-time equivalent)	13,274	13,577	13,450	13,512	13,450	13,512	0.5

MARKET ENVIRONMENT AND BUSINESS DEVELOPMENT

The Metal Engineering Division was organizationally realigned in the first half of the business year 2018/19 so that it can position itself even better than before as a provider of complete systems solutions in sophisticated industrial segments. For one, this entailed bundling competences in railway, turnout, and signaling technology to form the new Railway Systems business segment and, for another, combining the previously separate segments Wire Technology, Tubulars, and Welding Consumables into a new “Industrial Systems” business segment.

Market demand in Europe in the Railway Systems business segment has recovered slightly in the course of the 2018 calendar year to date after two difficult years, largely because of the need to catch up on maintenance investments, whereas project activity in new tracks remains merely moderate, as before. Yet the rails product area has succeeded nonetheless in the current business year to utilize its facilities to full capacity. The improved market environment has also resulted in slightly rising prices, which should have an effect once orders are processed over the next few quarters. The turnout systems segment has also benefitted from the accelerating recovery in Europe. After delaying a number of projects at the start of the year, recently the Chinese government substantially boosted investments in high-speed rail lines yet again. Activities related to the railway infrastructure in Australia’s and Brazil’s mining regions also expanded thanks to stable raw material prices. The momentum in the US’s heavy-haul transports segment has intensified as well, whereas the market environment in South Africa remains highly volatile. The signaling technology segment, which is positioning itself in the market as a provider of complete solutions and delivers digital sensor technology to railway operators, is in the process of rolling out its business model from Europe to the rest of the world.

Due to global protectionist tendencies, for one, and the downturn in the European automotive industry, for another, the Industrial Systems business segment fell slightly short of expectations at the start of the business year. The wire technology product segment, which is strongly aligned with the automotive sector, was confronted with a significant decline in demand from European auto manufacturers in the wake of the new WLTP emission rules in the second quarter. The momentum in the oil and natural gas sector in this division was as restrained as before, especially with respect to deep-sea projects.

While demand for Oil Country Tubular Goods (OTCG) products in the important US market has been very satisfactory during the 2018 calendar year to date, relative to local providers the seamless tubes segment has had to contend with sharply intensifying competition triggered by the introduction of protectionist (“Section 232”) tariffs on imports to the United States. In particular, this is due to the fact that it has not been possible to fully offset the 25% import duty through price increases, among other things because the large distributors in the oil and natural gas sector purchased sufficient quantities of OTCG products before the protectionist tariffs went into effect.

The welding consumables segment delivered average performance in the first half of the business year 2018/19. While demand in China for welding consumables remains solid, dampened expectations continue to shape the situation in Europe. This business segment intensified its cost optimization drive against this backdrop, pushing internal collaboration with other voestalpine companies with the aim of developing new business opportunities.

FINANCIAL KEY PERFORMANCE INDICATORS

Year over year, the revenue of the Metal Engineering Division rose by 2.4% from EUR 1,511.2 million to EUR 1,547.4 million. Both the recent increase in seamless tube delivery volumes and the improved pricing for wire technology had a positive impact on revenue. The Welding Consumables business segment also succeeded in expanding its business activities compared with the previous year. By contrast, the performance of the Railway Systems business segment in revenue terms was restrained, as before. The division's earnings for the first six months of the business year 2018/19 are higher year over year. The wire technology segment delivered the biggest gains, especially because the start-up phase of the new wire rod mill had depressed earnings the previous year. In sum, the Metal Engineering Division succeeded in lifting its EBITDA by 3.4%, from EUR 177.7 million in the first half of the previous business year to EUR 183.8 million in the first half of the current business year. At 11.9%, there was only a slight improvement in the EBITDA margin (previous year: 11.8%). Due to the non-recurring EUR 15 million write-off in the wire technology segment in the previous year's second quarter, at EUR 100.7 million (margin of 6.5%) EBIT for the first six months of the business year 2018/19 is substantially higher year over year (EUR 81.4 million and margin of 5.4%, respectively).

Quarter to quarter, the division's key financial indicators weakened somewhat due especially to seasonal effects. Revenue fell from EUR 799.8 million in the first quarter of the business year 2018/19 by 6.5% to EUR 747.6 million in the second quarter. The division also had to contend with the slowdown in the automotive sector during the second quarter which, in turn, negatively affected the wire technology segment's capacity utilization rate. Given that the US's punitive tariffs on seamless tube deliveries have taken effect in part, quarter to quarter the operating result (EBITDA) dropped by 13.4% from EUR 98.5 million in the first quarter of the business year 2018/19 to EUR 85.3 million in the second quarter, lowering the EBITDA margin from 12.3% to 11.4%. Furthermore, a negative non-recurring effect of EUR 1.7 million in the second quarter of the business year 2018/19 dampened the earnings trend owing to an adjustment of the provisions for long-service bonuses (see the Notes for details). During the same period, the profit from operations (EBIT) fell by 21.1% from EUR 56.3 million (margin of 7.0%) in the first quarter of the business year 2018/19 to EUR 44.4 million (margin of 5.9%) in the second quarter.

At 13,512, the number of employees (FTE) in the Metal Engineering Division as of the close of the second quarter of the business year 2018/19 surpassed the previous year's level (13,450) by 0.5%. Compared with the figure (13,481) as of the end of the previous business year, the number of employees has risen marginally by 0.2%.

METAL FORMING DIVISION

QUARTERLY DEVELOPMENT OF THE METAL FORMING DIVISION

In millions of euros	Q 1		Q 2		H 1		
	2017/18 04/01–06/30/2017	2018/19 04/01–06/30/2018	2017/18 07/01–09/30/2017	2018/19 07/01–09/30/2018	2017/18 04/01–09/30/2017	2018/19 04/01–09/30/2018	Change in %
Revenue	672.7	748.0	648.9	697.1	1,321.6	1,445.1	9.3
EBITDA	88.6	84.4	75.1	68.2	163.7	152.6	–6.8
EBITDA margin	13.2%	11.3%	11.6%	9.8%	12.4%	10.6%	
EBIT	61.3	55.7	47.4	38.7	108.7	94.4	–13.2
EBIT margin	9.1%	7.5%	7.3%	5.6%	8.2%	6.5%	
Employees (full-time equivalent)	11,300	11,938	11,498	12,052	11,498	12,052	4.8

MARKET ENVIRONMENT AND BUSINESS DEVELOPMENT

The economic environment of the Metal Forming Division in its key customer segment, Automotive, darkened during the summer after developing along a solid trajectory in the current business year's first quarter. In part, the introduction of the new WLTP emissions testing procedure led to pull-forward effects in Europe on the production side and consequently to extended summer plant closures and/or additionally to temporary production stoppages. Given the new verification procedure, which made a new classification necessary for new vehicles at the latest by September 1, 2018, numerous European automakers cut back not just the range of their product offerings but also production on the whole. As a result, requests for components in the second quarter of the business year 2018/19 from the Group's most important customers in the Automotive Components business segment fell far short of the previous quarters. This development is also reflected in the vehicle registration statistics, which show that the number of new vehicle registrations in July and August was still high but dropped off sharply in September.

Accordingly, the capacity utilization rate at the European sites of the Automotive Components business segment was substantially lower in the summer of 2018 compared to the previous year. Not so at the Cartersville, Georgia, USA, site, where demand pressure among other things has raised the start-up costs for the new facilities; this means that start-up costs for the current business year will far exceed the budgeted costs. By contrast, the operational launches of our new facilities in China and South Africa have progressed smoothly for the most part.

In the first six months of the current business year, the Tubes & Sections business segment operated in a largely average market environment. On the European continent, this business segment benefitted from solid demand in the commercial vehicle industry as well as the mechanical engineering and construction sectors. Great Britain, by contrast, is increasingly feeling the negative effects of the Brexit vote. Contrary to the positive economic data coming out of the US, orders for specialty tubes and sections were volatile at a relatively moderate level. While the economic environment in Brazil presented an improved picture, the across-the-board recovery cannot be expected until after the presidential election.

The Precision Strip business segment has transitioned from signs of overheating in the previous year to customers' solid order activity in the first two quarters of the business year 2018/19. Regionally speaking, demand in China has lost a bit of steam, and order levels in Europe were a bit less dynamic, particularly in the important sawmill segment.

The Warehouse & Rack Solutions business segment continued to deliver strong performance in the first six months of the business year 2018/19. The ongoing shift toward online purchases has developed into a strong driver of demand for efficient storage systems. As a result, full production capacity utilization in this segment has already been secured beyond the close of the current business year.

FINANCIAL KEY PERFORMANCE INDICATORS

The Metal Forming Division lifted its revenue from EUR 1,321.6 million in the first half of the business year 2017/18 by 9.3% to EUR 1,445.1 million in the first half of the business year 2018/19. For one, this is due to the fact that higher pre-materials prices were successfully passed on to customers and, for another, to the ongoing expansion of the division's international activities, especially in the Automotive Components business segment. The earnings performance, however, trails the positive development of revenue. As a result, the operating result (EBITDA) for the first six months of the business year 2018/19 fell by 6.8% to EUR 152.6 million (margin of 10.6%), down from EUR 163.7 million (margin of 12.4%) the previous year. The losses are due, in particular, to the aforementioned start-up costs related to new facilities for the automotive segment in North America as well as the slightly weaker year-over-year performance of the Tubes & Sections business segment. The decline by 13.2% in the profit from operations (EBIT) from EUR 108.7 million in the previous business year to EUR 94.4 million in the current business year also caused the EBIT margin to drop from 8.2% to 6.5%.

Comparing the first and second quarters of the business year 2018/19 shows that both revenue and earnings declined in the second quarter owing to the customary slowdown in demand during the summer, but also due to the economic downturn in the automotive industry. At EUR 697.1 million, revenue for the second quarter of the business year 2018/19 was 6.8 % less than in the first quarter (EUR 748.0 million). In earnings terms, the decline was even more pronounced. It stems mainly from the Automotive Components business segment, which suffered not only from lower demand in the European automotive industry but also from higher start-up costs at the Cartersville, Georgia, USA, plant. A negative non-recurring effect of EUR 0.7 million impacted earnings in the second quarter of the business year 2018/19 due to an adjustment in the provisions for long-service bonuses (see the Notes for details). This is the backdrop against which the Metal Forming Division posted EBITDA for the second quarter that is 19.2% lower than in the previous quarter. Specifically, it fell from EUR 84.4 million (margin of 11.3%) in the first quarter of the business year 2018/19 to EUR 68.2 million (margin of 9.8%) in the second quarter. EBIT dropped by 30.5% between the first and the second quarter of the business year 2018/19, from EUR 55.7 million (margin of 7.5%) to EUR 38.7 million (margin of 5.6%).

As of September 30, 2018, the number of employees (FTE) in the Metal Forming Division was 12,052 or 4.8% higher than the past year's figure of 11,498. This increase is due primarily to the international expansion of the division's automotive activities. Compared with the figure (12,003) as of the end of the business year 2017/18, there has been a marginal increase by 0.4% in the number of employees.

INVESTMENTS

At EUR 474.6 million, the investment expenditures of the voestalpine Group in the first half of the business year 2018/19 surpassed those of the same period the previous year (EUR 337.9 million) by 40.5%. This increase is due for the most part to the Steel Division's major overhaul of its blast furnace A between June and September 2018 at a total cost of some EUR 180 million. While the High Performance Metals Division also saw increases stemming from necessary preliminary work in connection with the construction of the new special steel plant in Kapfenberg, Austria, the investment volume of the two other divisions more or less matched that of the previous year.
The Steel Division's investments in the first half of the business year 2018/19 were dominated by the comprehensive repairs of blast furnace A, which had been prepared for a long time; this blast furnace accounts for about two thirds of the entire pig iron production at the Group's Linz site. As a result, the division's investment expenditure of EUR 91.2 million in the first half of the business year 2017/18 more than doubled to EUR 206.8 million in the current reporting period. During the repairs, which took three and one half months, not only the insides of the blast furnace but also all of its other elements (including the measurement and control technology; the gas cleaning system; the central blower as well as the media and cooling units) were overhauled in toto. The facility's high technical standard makes a major contribution to the better use of resources as well as to the optimized use of materials and thus to greater efficiency and ongoing improvements in profitability. The steel plant used the steep decline in the production of pig iron during the blast furnace repairs to replace portions of the crane track girders, which had seen better days.
The investment expenditure of the High Performance Metals Division in the first half of the business year 2018/19 was EUR 102.0 million and thus 42.9% higher year over year (EUR 71.4 million). The groundbreaking ceremony that took place in Kapfenberg on April 24, 2018, launched the construction of a new special steel plant. The preparatory work was carried out according to plan, and the tenders for the facilities' control systems have also been awarded in the meantime. Kapfenberg also saw the launch of the pilot operations of a high-tech forging press, which will be used to form nickel-based alloys that are destined for aircraft engine components. A new sheet rolling mill was started up at the Group's Mürzzuschlag site in Austria, making voestalpine the first supplier in Europe capable of producing titanium sheet for the aerospace industry. In the Value Added Services business segment, the Group's Houston, Texas, USA, site invested in a processing center for the oil and natural gas industry, which was launched in July 2018.
At EUR 65.4 million, the investment volume of the Metal Engineering Division in the first half of the business year 2018/19 was about the same as the previous year (EUR 64.9 million). There were no problems assuring supplies of high-quality pre-materials to the finishing operations during the summer while one of the two blast furnaces in Donawitz, Austria, was being repaired. Also in the Metallurgy business segment, currently a four-strand continuous casting facility equipped with fully digitalized process controls is being built at the same site; the work on the foundation has already been completed. The facility itself, which has a capacity of 950,000 tons, will be assembled next spring. This should make high-quality pre-material in the form of high-purity steels available for the division's finishing operations as planned from the second half of the 2019 calendar year.
At EUR 95.1 million, the Metal Forming Division invested 8.9% less in the first half of the business year 2018/19 than in the first six months of 2017/18 (EUR 104.4 million). The international roll out of product innovations that are developed in house with respect to automotive components based on long-term partnerships with customers continued in the current business year. The launch in August 2018 of the mass production of autobody and structural components in Aguascalientes, Mexico, is a response to the strong growth of the automotive market in this country. An automotive site that is specialized on the production of tube components was launched in Zacatecas, Mexico. In Tianjin, China, which is near Beijing, the Metal Forming Division built an assembly plant in the immediate vicinity of the production facility of a well-known European automotive manufacturer that is currently being started up.

BUSINESS TRANSACTIONS WITH ASSOCIATED COMPANIES OR PARTIES

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

RISK MANAGEMENT

Proactive risk management—as it has been understood by and practiced in the voestalpine Group for many years—serves both to ensure the existence of the Group as a going concern in the long term and to boost its value and thus is key to the success of the Group as a whole. Material risks are systematically recorded, analyzed, and assessed early on and subjected to permanent monitoring as part of both the systematic risk management process (which is undertaken uniformly and groupwide several times a year) and additional internal control systems (which are also integral elements of the Group's structural and workflow organization); appropriate measures to minimize risks are taken as necessary.

The risk environment of the voestalpine Group in the first six months of the current business year as well as compared with the previous years has remained largely unchanged. Material fields of risk (such as the availability of raw materials in the required quantity and quality; the loss of critical production facilities; the loss of critical IT systems; the CO_2 issue; knowledge management; or financial risks) and the respective precautionary measures thus have remained largely the same. The material fields of risk, including the associated measures to minimize risk, which are presented and described in detail in the Annual Report 2017/18 of the voestalpine Group (Annual Report 2017/18, "Report on the Company's Risks") thus remain valid at the time this semi-annual Management Report for the current business year was prepared.

There were no changes with respect to the disclosures in the Management Report for the business year 2017/18 regarding the Austrian energy tax rebate. Note in this connection that the Austrian Federal Finance Court *(Bundesfinanzgericht)* has directed a request for a preliminary ruling to the European Court of Justice (ECJ) (BFG 10/31/2014, RE/5100001/2014). The amendment of the Austrian Energy Tax Rebate Act *(Energieabgabenvergütungsgesetz)* by means of the 2011 Austrian Budget Accompanying Act *(Budgetbegleitgesetz (BBG 2011))*, which applies to periods after December 31, 2010, limited the energy tax rebate to manufacturing companies. Subsequently, the question as to whether this restriction, which may be deemed state aid, violated European Union law was submitted to the ECJ for a preliminary ruling; the highest court actually answered the question in the affirmative (ECJ 7/21/2016, docket no. C-493/14, Dilly's Wellnesshotel GmbH). This means that the restrictions envisioned in the BBG 2011 have not taken effect. Therefore, service providers, in particular, can retroactively apply for the energy tax rebate for periods after February 1, 2011. In its subsequent ruling, the Austrian Federal Finance Court declared that the restriction to manufacturing companies did not take effect. The Austrian fiscal authorities appealed this decision to the Austrian Higher Administrative Court *(Verwaltungsgerichtshof)*, which in September 2017 (Decision dated 09/14/2017, EU 2017/0005 and 0006-1) again sought recourse with the ECJ. No adverse effects are anticipated for the voestalpine Group from this approach.

Based on the insights gained from the economic and financial crises in the recent past and their effects on the voestalpine Group, in recent years additional—primarily corporate—measures were taken to minimize the Group's risk exposure, which are also described in detail in the Annual Report 2017/18, and these measures have been and are being consistently implemented in the current business year. In a complex economic environment, any fallout from the Brexit decision is monitored and analyzed on a continuous basis. The developments in the wake of the (punitive) tariffs and their ramifications for the voestalpine Group are also subject to continuous monitoring.

The measures that have been put in place to avert or prevent identified risks always serve to reduce potential losses and/or minimize the likelihood of losses occurring.

It must be stated that, as of the date of this semi-annual Management Report for the current business year, the risk exposure of and resulting uncertainties in the voestalpine Group are limited and manageable and do not threaten the continuation of the Group as a going concern. Considered from our current vantage point, there are no such threats to the Group in the future, nor are any such risks discernible as of the semiannual reporting date.

OUTLOOK

The economies of some regions were subject to increasingly fragile growth momentum toward the end of the first six-month period of the business year 2018/19; in Europe, this development was increasingly intensified by the growing price volatility in the energy sector and not least with respect to CO_2 emissions certificates.
Currently, however, the accumulating negative effects from distortions of the international trade flows as a result of the protectionist trade policies of a growing number of countries are giving rise to macroeconomic concerns, as is weakening demand in individual industrial segments and economies. Hence the "Worldwide Harmonized Light Vehicle Test Procedure" (WLTP), which went into effect in Europe on September 1, 2018, continues to create considerable uncertainty among automotive manufacturers and potential buyers alike—with the corresponding effects on the markets. Important regional developments outside of the European Union include the recent noticeable slowdown in China's economic growth.

Operationally speaking, during the summer Europe was confronted with considerable additional difficulties in that a drought caused the water levels of rivers to drop so low that practically all navigation routes for ships were, and in part are still, faced with increasing logistical challenges that affect both incoming and outgoing freight. voestalpine, for its part, has had to and must still contend with additional reductions in earnings owing to both start-up costs in excess of budgeted costs at the Group's North American automotive sites and unplanned production stoppages at the HBI facility in Texas, USA, due to flooding and a gas pipe rupture.

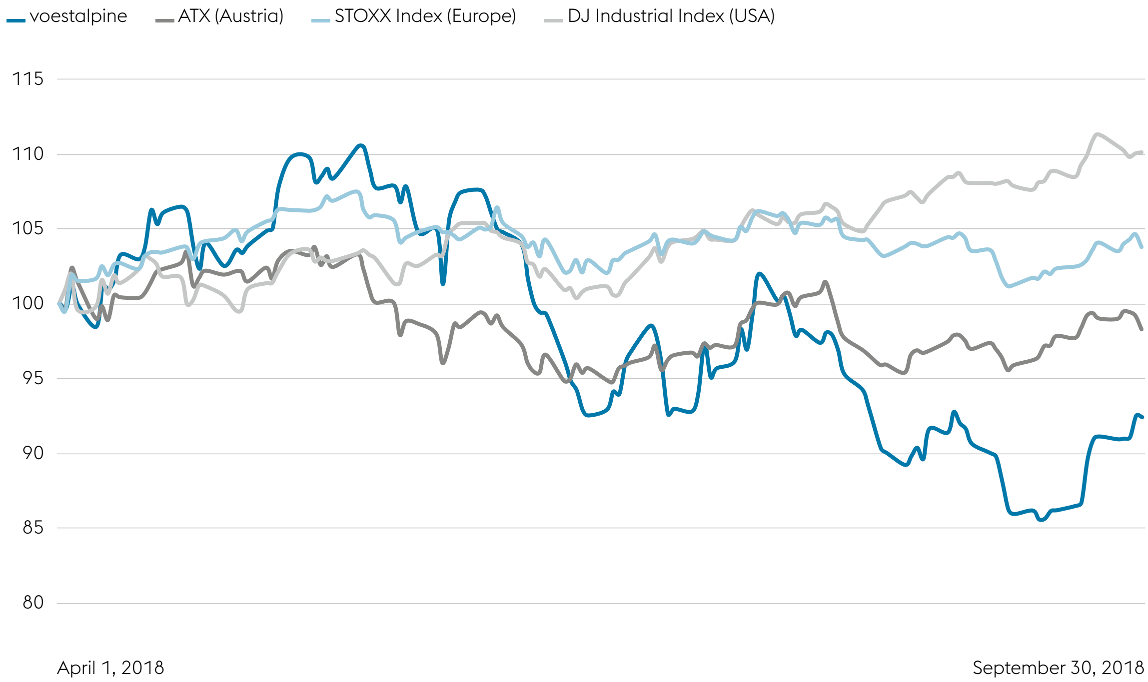
As already described in the ad hoc report dated October 24, 2018 ("voestalpine with second quarter below market expectations, adjustment of earnings expectations for business year 2018/19"): Contrary to expectations at the start of the current business year, it will not be possible against this backdrop and given the available numbers for the first half of the current business year to repeat the record results that were achieved in 2017/18, due especially to the reduction in earnings from the complete overhaul of the Group's largest blast furnace during the summer months. Given these internal and external facts, it will no longer be possible to largely offset this negative effect through other positive effects, as initially planned.

Based on the current development for the business year 2018/19, therefore, we expect a profit from operations (EBIT) of just under EUR one billion and an operating result (EBITDA) of just under EUR 1.8 billion.

INVESTOR RELATIONS

voestalpine AG VS. THE ATX AND INTERNATIONAL INDICES

Changes in % compared to March 31, 2018



DEVELOPMENT OF THE voestalpine SHARE

After delivering very strong price gains in the 2017 calendar year, the voestalpine share presented an altogether different picture in 2018. Particularly the first few months of 2018 were dominated by largely negative sentiment, which brightened but briefly at the start of the business year 2018/19.

The share price weakened again thereafter even though the economic climate in both the voestalpine Group's key global sales regions and its key customer segments remained favorable until the summer of 2018. What has had a particular impact in this connection is the US administration's increasingly isolationist stance: Aside from (manageable) direct effects on voestalpine stemming from import tariffs, it has kindled investors' fears that the solid global economic picture may be undermined by countermeasures the countries affected by the tariffs might take in response to the United States' protectionist measures. At the same time, the voestalpine Group's strong orientation toward the automotive industry was yet another negative factor that weighed on the price of the Group's share. The backlog regarding numerous vehicle models in connection with registrations under the newly created "Worldwide Harmonized Light Vehicle Test Procedure" (WLTP) from September 1, 2018, led to growing fears that the automotive industry in Europe might be weakened as a result. All of these factors taken together caused the price of the voestalpine share to decline by 7.6% in the first half of the business year 2018/19, i.e. from EUR 42.64 per share to EUR 39.40 per share. While the share's performance fell only slightly short of that of the Austrian ATX stock index, it underperformed significantly compared with both the Dow Jones Industrial and the STOXX Index Europe, both of which delivered gains in the same period.

BONDS

Type of bond	ISIN number	Issuing volume	Interest rate	Share price (09/30/2018)
Corporate bond 2012–2018	XS0838764685	EUR 500 million	4.0%	100.0
Hybrid bond 2013	AT0000A0ZHF1	EUR 500 million	7.125%[1]	104.3
Corporate bond 2014–2021	AT0000A19S18	EUR 400 million	2.25%	104.3
Corporate bond 2017–2024	AT0000A1Y3P7	EUR 500 million	1.375%	99.9

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

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

» Alpha Value, Paris
» Baader Bank AG, Munich
» Bank of America/Merrill Lynch, London
» Citigroup, London
» Commerzbank, Frankfurt
» Deutsche Bank, London
» Erste Bank, Vienna
» Exane BNP Paribas, Paris
» Goldman Sachs, London
» Jefferies, London
» J.P. Morgan, London
» Kepler Cheuvreux, Frankfurt
» Macquarie, London
» Morgan Stanley, London
» Raiffeisen Centrobank, Vienna
» Société Générale, Paris
» UBS, London

SHARE INFORMATION

Share capital	EUR 320,394,836.99 divided into 176,349,163 no-par value shares
Treasury shares as of March 31, 2018	28,597 shares
Class of shares	Ordinary bearer shares
Stock identification number	93750 (Vienna Stock Exchange)
ISIN	AT0000937503
Reuters	VOES.VI
Bloomberg	VOE AV

PRICES (AS OF END OF DAY)

Share price high April 2017 to September 2018	EUR 47.11
Share price low April 2017 to September 2018	EUR 36.49
Share price as of September 30, 2018	EUR 39.40
Initial offering price (IPO) October 1995	EUR 5.18
All-time high price (July 12, 2007)	EUR 66.11
Market capitalization as of September 30, 2018*	EUR 6,947,030,300.40

* Basis: Total number of shares minus repurchased shares.

BUSINESS YEAR 2017/18

Earnings per share	EUR 4.40
Dividend per share	EUR 1.40
Carrying amount per share as of March 31, 2018	EUR 36.22

FINANCIAL CALENDAR 2018/19

Letter to Shareholders for the third quarter of 2018/19	February 7, 2019
Annual Report 2018/19	June 5, 2019
Record date for attendance at the AGM	June 23, 2019
Annual General Meeting	July 3, 2019
Ex-dividend date	July 11, 2019
Record date for dividend payment	July 12, 2019
Dividend payment date	July 15, 2019
Letter to Shareholders for the first quarter of 2019/20	August 7, 2019
Letter to Shareholders for the second quarter of 2019/20	November 6, 2019

voestalpine AG

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 09/30/2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	03/31/2018	09/30/2018
A. Non-current assets		
Property, plant and equipment	6,282.1	6,421.8
Goodwill	1,545.9	1,547.7
Other intangible assets	396.0	387.8
Investments in entities consolidated according to the equity method	118.5	121.7
Other financial assets and other shares in companies	51.1	49.9
Deferred tax assets	196.1	207.8
	8,589.7	**8,736.7**
B. Current assets		
Inventories	3,998.4	4,030.0
Trade and other receivables	1,773.0	1,884.3
Other financial assets	388.1	256.0
Cash and cash equivalents	705.8	264.0
	6,865.3	**6,434.3**
Total assets	**15,455.0**	**15,171.0**

In millions of euros

EQUITY AND LIABILITIES

	03/31/2018	09/30/2018
A. Equity		
Share capital	320.3	320.3
Capital reserves	609.6	605.6
Hybrid capital	497.9	497.9
Retained earnings and other reserves	4,957.9	4,971.7
Equity attributable to equity holders of the parent	**6,385.7**	**6,395.5**
Non-controlling interests	168.6	155.4
	6,554.3	**6,550.9**
B. Non-current liabilities		
Pensions and other employee obligations	1,171.7	1,217.1
Provisions	76.6	75.0
Deferred tax liabilities	107.6	106.6
Financial liabilities	2,783.6	2,376.3
	4,139.5	**3,775.0**
C. Current liabilities		
Provisions	615.2	574.0
Tax liabilities	183.4	200.6
Financial liabilities	1,315.5	1,756.7
Trade and other payables	2,647.1	2,313.8
	4,761.2	**4,845.1**
Total equity and liabilities	**15,455.0**	**15,171.0**

In millions of euros

CONSOLIDATED STATEMENT OF CASH FLOWS

	04/01–09/30/2017	04/01–09/30/2018
Operating activities		
Profit after tax	388.9	316.2
Non-cash expenses and income	366.2	340.8
Change in inventories	–355.5	–134.7
Change in receivables and liabilities	–62.7	–333.8
Change in provisions	45.0	–23.5
Changes in working capital	**–373.2**	**–492.0**
Cash flow from operating activities	**381.9**	**165.0**
Investing activities		
Additions to other intangible assets, property, plant and equipment	–389.2	–498.0
Income from disposals of assets	9.6	5.0
Cash flow from the acquisition of control of subsidiaries	–0.2	5.9
Additions to/divestments of other financial assets	–226.5	129.7
Cash flow from investing activities	**–606.3**	**–357.4**
Financing activities		
Dividends paid	–194.0	–246.8
Dividends paid/capital increase non-controlling interests	–10.3	–16.8
Acquisition of non-controlling interests	0.0	–1.1
Increase in long-term financial liabilities	752.7	74.0
Repayment of long-term financial liabilities	–89.2	–449.5
Repayment of long-term finance lease liabilities	–1.2	–2.1
Change in current financial liabilities and other financial liabilities	–33.1	397.0
Cash flow from financing activities	**424.9**	**–245.3**
Net decrease/increase in cash and cash equivalents	**200.5**	**–437.7**
Cash and cash equivalents, beginning of year	503.3	705.8
Net exchange differences	27.8	–4.1
Cash and cash equivalents, end of year	**731.6**	**264.0**

In millions of euros

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED INCOME STATEMENT

	04/01–09/30/2017	04/01–09/30/2018	07/01–09/30/2017	07/01–09/30/2018
Revenue	**6,302.3**	**6,674.0**	**3,050.8**	**3,205.0**
Cost of sales	–4,823.4	–5,268.4	–2,355.9	–2,591.7
Gross profit	**1,478.9**	**1,405.6**	**694.9**	**613.3**
Other operating income	198.7	207.6	69.9	67.8
Distribution costs	–572.3	–584.4	–281.0	–282.5
Administrative expenses	–310.5	–333.9	–152.1	–163.1
Other operating expenses	–221.0	–224.9	–80.3	–81.7
Share of profit of entities consolidated according to the equity method	10.4	9.5	4.0	1.9
EBIT	**584.2**	**479.5**	**255.4**	**155.7**
Finance income	20.5	23.7	10.3	10.4
Finance costs	–91.1	–81.7	–44.5	–38.9
Profit before tax	**513.6**	**421.5**	**221.2**	**127.2**
Tax expense	–124.7	–105.3	–50.7	–35.4
Profit after tax	**388.9**	**316.2**	**170.5**	**91.8**
Attributable to:				
Equity holders of the parent	368.8	297.9	161.4	84.0
Non-controlling interests	8.8	7.0	3.4	2.1
Share planned for hybrid capital owners	11.3	11.3	5.7	5.7
Basic and diluted earnings per share (euros)	**2.09**	**1.69**	**0.91**	**0.48**

In millions of euros

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED OTHER COMPREHENSIVE INCOME

	04/01–09/30/2017	04/01–09/30/2018	07/01–09/30/2017	07/01–09/30/2018
Profit after tax	**388.9**	**316.2**	**170.5**	**91.8**
Items of other comprehensive income that will be reclassified subsequently to profit or loss				
Cash flow hedges	–1.2	–6.8	9.8	–4.8
Currency translation	–86.0	–2.5	–23.0	–6.6
Share of result of entities consolidated according to the equity method	–2.1	–0.9	–0.5	–1.0
Subtotal of items of other comprehensive income that will be reclassified subsequently to profit or loss	**–89.3**	**–10.2**	**–13.7**	**–12.4**
Items of other comprehensive income that will not be reclassified subsequently to profit or loss				
Actuarial gains/losses	29.3	–34.1	1.5	–31.8
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	**29.3**	**–34.1**	**1.5**	**–31.8**
Other comprehensive income for the period, net of income tax	**–60.0**	**–44.3**	**–12.2**	**–44.2**
Total comprehensive income for the period	**328.9**	**271.9**	**158.3**	**47.6**
Attributable to:				
Equity holders of the parent	313.0	255.4	150.7	40.9
Non-controlling interests	4.6	5.2	1.9	1.0
Share planned for hybrid capital owners	11.3	11.3	5.7	5.7
Total comprehensive income for the period	**328.9**	**271.9**	**158.3**	**47.6**

In millions of euros

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	H 1 2017/18			H 1 2018/19		
	Group	Non-controlling interests	Total	Group	Non-controlling interests	Total
Equity as of April 1	**5,892.1**	**168.2**	**6,060.3**	**6,385.7**	**168.6**	**6,554.3**
Adjustment – initial application IFRS 15				**–7.4**		**–7.4**
Equity as of April 1, adjusted				**6,378.3**	**168.6**	**6,546.9**
Total comprehensive income for the period	324.3	4.6	328.9	266.7	5.2	271.9
Dividends to shareholders	–194.0	–12.9	–206.9	–246.8	–18.1	–264.9
Tax effect from transactions with hybrid capital owners	3.8	–	3.8	3.8	–	3.8
Share-based payment	–1.5	–	–1.5	–4.0	–	–4.0
Other changes	–0.9	0.1	–0.8	–2.5	–0.3	–2.8
Equity as of September 30	**6,023.8**	**160.0**	**6,183.8**	**6,395.5**	**155.4**	**6,550.9**

In millions of euros

GENERAL INFORMATION / ACCOUNTING POLICIES

These Interim Consolidated Financial Statements of voestalpine AG as of September 30, 2018, for the first half of the business year 2018/19 were prepared in accordance with IAS 34 – Interim Financial Reporting. The accounting policies are unchanged from the Consolidated Financial Statements for the business year 2017/18.

THE FOLLOWING NEW AND REVISED STANDARDS AND INTERPRETATIONS WERE IN EFFECT BUT HAD NOT YET BEEN ADOPTED FOR THE FIRST TIME IN THE BUSINESS YEAR 2018/19

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

[1] These standards are applicable to reporting periods beginning on or after the effective date.

From today's perspective, the amendments and new versions of standards and interpretations are not expected to have any material effects on the voestalpine Group's net assets, financial position, and results of operations. The disclosures resulting from the initial application of IFRS 9 and IFRS 15 follow below from the section entitled **Changes in Accounting Policies**.

Please see the financial statements as of March 31, 2018, for the expected effects from the initial application of **IFRS 16 Leases.** The implementation project has progressed on schedule; currently, the IT system is being put in place. So far, nothing has changed with respect to the estimates as of March 31, 2018, because the detailed analysis of the existent leases has not yet been completed.

Further information on the other principles of preparation is provided in the Consolidated Financial Statements as of March 31, 2018, on which these Interim Consolidated Financial Statements are based.

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

Unless otherwise stated, comparative information relates to the first half of the business year 2017/18 (reporting date: September 30, 2017).

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

CHANGES IN ACCOUNTING POLICIES

IFRS 15 Revenue from Contracts with Customers has been applied in the voestalpine Group since April 1, 2018, using the modified retrospective method of initial application. Hence there was no need to adjust the previous year's figures. This Standard combines the guidance on revenue recognition and replaces both IAS 18 and IAS 11 as well as the associated Interpretations. IFRS 15 has shifted the focus from the transfer of material opportunities and risks to the time at which control over the goods and services is transferred, thus making it possible to obtain related benefits. The newly introduced five-step model serves to determine both the scope and the timing of the recognition of revenue.

In contrast to IAS 11, the new rules under IFRS 15.35c regarding customer-specific series production lead to early revenue recognition, because control is already transferred during production. As regards these customer-specific products for which there are no alternative uses, revenue must be recognized in the given period, because voestalpine has an enforceable claim to payment against the customer at the given time. The resulting effect on equity after taxes mainly in the Aerospace and Automotive segments is about EUR 7.0 million.

The second material effect on equity after taxes in the amount of approx. EUR –15.0 million stems from the reversal of previously activated pre-series losses in the Automotive segment which, in the future, must be recognized as income pursuant to the rules of IFRS 15 in the period in which they are incurred.

Aside from the initial application effect after taxes in the amount of EUR –7.4 million, these changes also result in reclassifications, among other things, of inventories and existing PoC receivables into contract assets.

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

IFRS 9 Financial Instruments has been applied in the voestalpine Group since April 1, 2018, based on the option to elect simplified initial application. Hence there was no need to adjust the previous year's figures. As regards both classification and measurement, the initial application did not give rise to any changes in the carrying amounts. The accounting requirements for hedging transactions are applied prospectively. The Standard leads to changes in connection with financial instruments and largely replaces IAS 39.

A valuation model has been put in place in the voestalpine Group for the purpose of taking the requirements under IFRS 9 regarding the impairment model into account. Historical data derived from actual historical credit losses in the past five years were used as the basis for the estimated expected credit losses. There is no significant concentration of default risks, given the existing credit default swaps and a diversified customer portfolio that is dominated by very good to good credit ratings. Due to the low historical and expected loss of receivables, application of the new impairment method will not lead to material effects in loss allowances.

For further information on the first-time adoption of IFRS 9, please see the disclosures in the **Notes on financial instruments.** In keeping with these disclosures, the initial application of IFRS 9 in the voestalpine Group has not led to any effects.

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

CHANGE IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	03/31/2018	Adjustment according to IFRS 15	04/01/2018
Assets			
Deferred tax assets	196.1	4.7	200.8
Inventories	3,998.4	–99.3	3,899.1
Trade and other receivables	1,773.1	104.4	1,877.5
Total assets	**15,455.0**	**9.8**	**15,464.8**
Equity and liabilities			
Retained earnings and other reserves	4,957.9	–7.4	4,950.5
Deferred tax liabilities	107.6	2.7	110.3
Provisions	615.2	–0.5	614.7
Trade and other payables	2,647.1	15.0	2,662.1
Total equity and liabilities	**15,455.0**	**9.8**	**15,464.8**

In millions of euros

The following tables present the effects of the application of IFRS 15 on the Interim Financial Statements as of September 30, 2018. The effects of the Consolidated Statement of Cash Flows are immaterial as of September 30, 2018.

CHANGE IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

09/30/2018	Values as reported	Adjustment according to IFRS 15	Without application of IFRS 15
Assets			
Deferred tax assets	207.8	–4.0	203.8
Inventories	4,030.0	107.4	4,137.4
Trade and other receivables	1,884.3	–117.5	1,766.8
Total assets	**15,171.0**	**–14.1**	**15,156.9**
Equity and liabilities			
Retained earnings and other reserves	4,971.7	5.1[1]	4,976.8
Deferred tax liabilities	106.6	–3.1	103.5
Provisions	574.0	0.5	574.5
Trade and other payables	2,313.8	–16.6	2,297.2
Total equity and liabilities	**15,171.0**	**–14.1**	**15,156.9**

[1] Incl. currency translation amounting to EUR 1.0 million.

In millions of euros

CHANGE IN CONSOLIDATED INCOME STATEMENT

04/01–09/30/2018	Values as reported	Adjustment according to IFRS 15	Without application of IFRS 15
Revenue	**6,674.0**	**–28.6**	**6,645.4**
Cost of sales	–5,268.4	23.6	–5,244.8
Gross profit	**1,405.6**	**–5.0**	**1,400.6**
EBIT	**479.5**	**–5.0**	**474.5**
Profit before tax	**421.5**	**–5.0**	**416.5**
Tax expense	–105.3	1.7	–103.6
Profit after tax	**316.2**	**–3.3**	**312.9**

In millions of euros

CHANGES IN THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The changes made in the scope of Consolidated Financial Statements during the first half of the business year 2018/19 were as follows:

	Full consolidation	Equity method
As of April 1, 2018	**280**	**9**
Acquisitions		
Change in consolidation method		
Additions	3	
Disposals		
Reorganizations	–1	
Divestments or disposals		
As of September 30, 2018	**282**	**9**
Of which foreign companies	224	4

The following entities were deconsolidated in the Interim Consolidated Financial Statements in the first half of the business year 2018/19:

Name of entity	
Reorganizations	
Sacma Acciai Speciali S.p.A.	

The following entities are being included in the Interim Consolidated Financial Statements for the first time in the first half of the business year 2018/19:

Name of entity	Interest in %
Full consolidation	
voestalpine HR Services GmbH	100.000%
VOEST-ALPINE TUBULAR CORP.	100.000%
voestalpine Automotive Components Hungaria Kft.	100.000%

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

SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Name of the subsidiary	Domicile	09/30/2017	09/30/2018
voestalpine Tubulars GmbH & Co KG	Kindberg, Austria		
Proportion of ownership		49.8875%	49.8875%
Proportion of ownership interests held by non-controlling interests		50.1125%	50.1125%
CNTT Chinese New Turnout Technologies Co., Ltd.	Qinhuangdao, China		
Proportion of ownership		50.0000%	50.0000%
Proportion of ownership interests held by non-controlling interests		50.0000%	50.0000%

In the reporting period, the total of all non-controlling interests amounts to EUR 155.4 million (September 30, 2017: EUR 160.0 million), of which EUR 84.7 million (September 30, 2017: EUR 80.5 million) is attributable to voestalpine Tubulars GmbH & Co KG and EUR 30.5 million (September 30, 2017: EUR 30.2 million) is attributable to CNTT Chinese New Turnout Technologies Co., Ltd. The remaining non-controlling interests, seen individually, can be considered immaterial for the Group.

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

SUMMARIZED STATEMENT OF FINANCIAL POSITION

	voestalpine Tubulars GmbH & Co KG		CNTT Chinese New Turnout Technologies Co., Ltd.	
	09/30/2017	09/30/2018	09/30/2017	09/30/2018
Non-current assets	119.9	123.1	16.3	14.0
Current assets	140.5	145.6	90.4	96.5
Non-current provisions and liabilities	29.2	30.3	2.9	2.8
Current provisions and liabilities	123.1	114.4	44.3	47.4
Net assets (100%)	**108.1**	**124.0**	**59.5**	**60.3**

In millions of euros

SUMMARIZED INCOME STATEMENT

	voestalpine Tubulars GmbH & Co KG		CNTT Chinese New Turnout Technologies Co., Ltd.	
	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018
Revenue	221.4	266.3	43.4	27.5
EBIT	5.7	5.5	16.2	11.4
Profit after tax	3.9	4.7	12.0	8.6
Attributable to:				
Equity holders of the parent	1.9	2.3	6.0	4.3
Non-controlling interests	1.9	2.4	6.0	4.3
Dividends paid to non-controlling interests	0.0	0.0	6.5	8.4

In millions of euros

SUMMARIZED STATEMENT OF CASH FLOWS

	voestalpine Tubulars GmbH & Co KG		CNTT Chinese New Turnout Technologies Co., Ltd.	
	04/01-09/30/2017	04/01-09/30/2018	04/01-09/30/2017	04/01-09/30/2018
Cash flow from operating activities	–8.4	19.3	5.9	20.3
Cash flow from investing activities	–8.5	–9.0	–0.3	–0.9
thereof additions to/divestments of other financial assets	0.0	0.0	0.0	0.0
Cash flow from financing activities	16.6	–10.2	–8.1	–14.3
Net decrease/increase in cash and cash equivalents	**–0.3**	**0.1**	**–2.5**	**5.1**

In millions of euros

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

SHARES IN IMMATERIAL JOINT VENTURES

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

	04/01–09/30/2017	04/01–09/30/2018
Group share of		
Profit after tax	0.7	0.2
Other comprehensive income	–0.3	–0.1
Comprehensive income	**0.4**	**0.1**
Carrying amount immaterial joint ventures	**4.3**	**3.8**

In millions of euros

SHARES IN IMMATERIAL ASSOCIATES

The profit from associates that are individually immaterial for the voestalpine Interim Consolidated Financial Statements are included using the equity method. This information relates to the interests held by the voestalpine Group in associates and is broken down as follows:

	04/01–09/30/2017	04/01–09/30/2018
Group share of		
Profit after tax	9.8	9.3
Other comprehensive income	–1.8	–0.8
Comprehensive income	**8.0**	**8.5**
Carrying amount immaterial associates	**112.7**	**117.9**

In millions of euros

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

In the first half of the business year 2018/19, depreciation totaling EUR 380.6 million was less than actual investments in the amount of EUR 474.4 million. This and positive currency translation effects amounting to EUR 41.6 million essentially led to an increase in non-current assets from EUR 8,589.7 million to EUR 8,736.7 million. Due primarily to an operational increase in inventories (see Consolidated Cash Flow Statement), compared to March 31, 2018, the carrying amount of the inventories on the reporting date rose by EUR 31.7 million despite the negative transition effect resulting from the adoption of IFRS 15 in the amount of EUR 99.3 million.

As of September 30, 2018, voestalpine AG's share capital amounted to EUR 320,394,836.99 (March 31, 2018: EUR 320,394,836.99) and was divided into 176,349,163 shares (March 31, 2018: 176,349,163). The Company held 28,597 of its own shares as of the reporting date. In the first half of the business year 2018/19, the Company neither bought nor sold any own shares.

In the business year 2012/13, voestalpine AG issued a new subordinate undated bond (hybrid bond 2013) with a volume of EUR 500.0 million. As the hybrid bond satisfies the IAS 32 criteria for equity, the proceeds from the bond issue are recognized as part of equity. Accordingly, coupon payments are also presented as part of the appropriation of profit. The issue costs of the hybrid bond 2013 amounted to EUR 2.8 million, less EUR 0.7 million in tax effects. Therefore, equity increased by EUR 497.9 million in the business year 2012/13.

Due primarily to changes in the actuarial result (negative), the profit after tax of EUR 316.2 million was reduced to total comprehensive income of EUR 271.9 million. This decreased equity to EUR 6,550.9 million including the dividend distribution (and including the effect from adoption of IFRS 15). For the business year 2017/18, a dividend per share of EUR 1.40 was decided upon at the Annual General Meeting on July 4, 2018. Therefore, voestalpine AG has distributed dividends amounting to EUR 246.8 million to its shareholders in the current business year.

Provisions for pensions, severance, and long-service bonus obligations are taken into account in the Interim Consolidated Financial Statements based on an expert opinion on the forecast for the entire current business year 2018/19. If significant changes of the parameters occur during the year, a re-assessment of the net debt is carried out.

An adjustment of the mortality tables in both Austria and Germany as well as a slightly negative performance of the pension fund during the current business year resulted in an increase overall in the provisions for pension and severance obligations and consequently in an actuarial loss of EUR 34.1 million (after deferred taxes) recognized in the other comprehensive income. This also resulted in an (expensed) increase in the provisions for long-service bonus obligations amounting to EUR 7.7 million and, in sum, a total loss (after deferred taxes) of EUR 5.8 million that is recognized in the income statement.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

Revenue for the period from April 1 to September 30, 2018 in the amount of EUR 6,674.0 million increased by 5.9% compared to the same period of the preceding year (EUR 6,302.3 million). In the first half of the business year 2018/19, EBIT reached EUR 479.5 million compared to EUR 584.2 million for the same period of the preceding year. EBIT was EUR 155.7 million for the second quarter of 2018/19, compared to EUR 255.4 million for the second quarter of 2017/18. After consideration of the financial result and taxes, profit after tax amounted to EUR 316.2 million compared to EUR 388.9 million for the same period of the preceding year.

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

	04/01–09/30/2017	04/01–09/30/2018
Profit attributable to equity holders of the parent (in millions of euros)	368.8	297.9
Weighted average number of outstanding ordinary shares (millions)	176.3	176.3
Diluted and basic (undiluted) earnings per share (euros)	**2.09**	**1.69**

CLASSIFICATION OF REVENUES[1]

The following table contains information on the classification of external revenues by region and industry of the voestalpine Group for the first half of the business year 2018/19 and the business year 2017/18, respectively:

REVENUE BY REGIONS

	Steel Division		High Performance Metals Division	
	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018
European Union (without Austria)	1,356.9	1,445.1	653.2	737.1
Austria	232.7	238.5	49.7	68.1
NAFTA	182.4	236.6	220.6	224.4
Asia	57.0	62.0	274.6	277.7
South America	107.5	82.8	95.1	100.8
Rest of world	162.7	129.0	110.2	113.3
Total revenue by regions	**2,099.2**	**2,194.0**	**1,403.4**	**1,521.4**

REVENUE BY INDUSTRIES

	Steel Division		High Performance Metals Division	
	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018
Automotive	787.6	813.2	412.3	443.4
Energy	449.4	469.8	171.3	188.5
Railway systems	4.7	4.1	3.7	4.3
Building/Construction	190.5	186.9	53.7	56.8
Mechanical engineering	86.6	113.5	258.1	295.8
White goods/Consumer goods	80.8	67.0	176.6	182.5
Aerospace	0.0	0.0	159.5	168.7
Other	499.6	539.5	168.2	181.4
Total revenue by industries	**2,099.2**	**2,194.0**	**1,403.4**	**1,521.4**

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

	Metal Engineering Division		Metal Forming Division		Other		Total Group	
	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018
	734.8	748.3	967.7	990.4	4.4	6.5	3,717.0	3,927.4
	108.1	108.9	49.1	54.0	1.5	2.1	441.1	471.6
	267.9	312.9	169.5	252.0	0.0	0.0	840.4	1,025.9
	167.8	154.7	39.9	49.0	0.0	0.1	539.3	543.5
	37.6	26.2	34.8	39.9	0.0	0.0	275.0	249.7
	173.9	174.7	42.7	38.9	0.0	0.0	489.5	455.9
	1,490.1	**1,525.7**	**1,303.7**	**1,424.2**	**5.9**	**8.7**	**6,302.3**	**6,674.0**

In millions of euros

	Metal Engineering Division		Metal Forming Division		Other		Total Group	
	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018
	226.9	252.4	690.7	787.5	0.0	0.0	2,117.5	2,296.5
	294.9	346.4	12.8	26.1	0.0	0.0	928.4	1,030.8
	737.9	680.0	0.5	1.6	0.0	0.0	746.8	690.0
	47.8	46.7	313.8	316.7	0.0	0.0	605.8	607.1
	68.1	74.8	120.2	126.0	0.0	0.0	533.0	610.1
	19.7	21.5	59.5	56.7	0.0	0.0	336.6	327.7
	0.0	0.0	10.5	9.4	0.0	0.0	170.0	178.1
	94.8	103.9	95.7	100.2	5.9	8.7	864.2	933.7
	1,490.1	**1,525.7**	**1,303.7**	**1,424.2**	**5.9**	**8.7**	**6,302.3**	**6,674.0**

In millions of euros

OPERATING SEGMENTS

The following table contains information on the operating segments of the voestalpine Group for the first half of the business year 2018/19 and the business year 2017/18, respectively:

OPERATING SEGMENTS

	Steel Division		High Performance Metals Division	
	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018
Segment revenue	2,298.8	2,415.6	1,431.4	1,545.9
of which revenue with third parties	2,099.2	2,194.0	1,403.4	1,521.4
of which revenue with other segments	199.6	221.6	28.0	24.5
EBITDA	442.7	342.4	226.5	229.8
EBIT	287.9	181.7	152.2	155.7
EBIT margin	12.5%	7.5%	10.6%	10.1%
Segment assets	5,165.9	5,167.9	3,987.9	4,271.2
Employees (full-time equivalent)	10,905	10,972	13,950	14,528

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

EBITDA

	04/01–09/30/2017	04/01–09/30/2018
Net exchange differences incl. result from valuation of derivatives	–0.8	–1.7
Consolidation	3.5	0.6
EBITDA – Total reconciliation	**2.7**	**–1.1**

In millions of euros

	Metal Engineering Division		Metal Forming Division		Other		Reconciliation		Total Group	
	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018	04/01–09/30/2017	04/01–09/30/2018
	1,511.2	1,547.4	1,321.6	1,445.1	753.9	623.2	–1,014.6	–903.2	6,302.3	6,674.0
	1,490.1	1,525.7	1,303.7	1,424.2	5.9	8.7	0.0	0.0	6,302.3	6,674.0
	21.1	21.7	17.9	20.9	748.0	614.5	–1,014.6	–903.2	0.0	0.0
	177.7	183.8	163.7	152.6	–44.4	–47.4	2.7	–1.1	968.9	860.1
	81.4	100.7	108.7	94.4	–48.7	–51.9	2.7	–1.1	584.2	479.5
	5.4%	6.5%	8.2%	6.5%					9.3%	7.2%
	3,196.9	3,350.0	2,306.1	2,504.2	11,226.9	11,032.3	–10,747.3	–11,154.6	15,136.4	15,171.0
	13,450	13,512	11,498	12,052	835	866	0	0	50,638	51,931

In millions of euros

EBIT

	04/01–09/30/2017	**04/01–09/30/2018**
Net exchange differences incl. result from valuation of derivatives	–0.8	–1.7
Consolidation	3.5	0.6
EBIT – Total reconciliation	**2.7**	**–1.1**

In millions of euros

All other key figures contain solely the effects of consolidation.

NOTES ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

Non-cash expenses and income include depreciation/revaluation (including financial assets) in the amount of EUR 377.7 million. Taking the change in working capital into consideration, the cash flow from operating activities amounted to EUR 165.0 million compared to EUR 381.9 million in the first half of the preceding year; this represents a decrease of about 57%. After consideration of EUR –357.4 million in cash flow from investing activities that include EUR 129.7 million in divestments of other financial assets (mainly proceeds from the sale of bonds) and taking into account the cash flow from financing activities in the amount of EUR –245.3 million, the resulting change in cash and cash equivalents (without net exchange differences) amounts to EUR –437.7 million.

NOTES ON FINANCIAL INSTRUMENTS

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

Classes		**Measurement category IAS 39**
Other financial assets – non-current	At amortized cost	Loans and receivables
		Available for sale at cost
	At fair value through profit or loss	Available for sale at fair value
		Fair value option
Trade and other receivables	At amortized cost	Loans and receivables
	At fair value through profit or loss	Derivatives (Held for Trading)
	At fair value through profit or loss	Derivatives (Hedge Accounting)
Other financial assets – current	At fair value through profit or loss	Fair value option
Cash and cash equivalents	At amortized cost	Loans and receivables
Assets 2017/18		
Financial liabilities – non-current		At amortized cost
Financial liabilities – current		At amortized cost
Trade and other payables		At amortized cost
	At fair value through profit or loss	Derivatives (Held for Trading)
	At fair value through profit or loss	Derivate (Hedge Accounting)
Liabilities 2017/18		

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

	Measurement category IFRS 9	Carrying amount IAS 39 03/31/2018	Valuation adjustments acc. to IFRS 9	Carrying amount IFRS 9 04/01/2018
	At amortized cost	6.1	0.0	6.1
	–	11.4	–	–[1]
	At fair value through profit or loss	32.1	0.0	32.1
	At fair value through profit or loss	1.4	0.0	1.4
	At amortized cost	1,599.5	0.0	1,599.5
	At fair value through profit or loss	144.1	0.0	144.1
	At fair value through profit or loss	13.5	0.0	13.5
	No IFRS 9 category	15.9	0.0	15.9
	At fair value through profit or loss	388.1	0.0	388.1
	At amortized cost	705.8	0.0	705.8
		2,917.9	**0.0**	**2,906.5[1]**
	At amortized cost	2,783.6	0.0	2,783.6
	At amortized cost	1,315.6	0.0	1,315.6
	At amortized cost	2,633.8	0.0	2,633.8
	At fair value through profit or loss	17.8	0.0	17.8
	No IFRS 9 category	4.4	0.0	4.4
		6,755.2	**0.0**	**6,755.2**

In millions of euros

The initial application of IFRS 9 in the voestalpine Group does not materially affect the classification of financial assets and liabilities.

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

The voestalpine Group has been holding an equity instrument in the amount of EUR 32.1 million as of March 31, 2018, which had been classified as available for sale at fair value. Pursuant to IFRS 9, it has been classified as FVTPL since April 1, 2018.

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

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

Categories of financial instruments

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

In millions of euros

Categories	Financial assets measured at amortized cost	Financial assets measured at fair value		Total
		Hedge Accounting	Other financial assets measured at fair value through profit or loss	
Assets 09/30/2018				
Other financial assets – non-current	5.6		33.7	39.3
Trade and other receivables	1,473.5	3.6	157.2	1,634.3
Other financial assets – current			256.0	256.0
Cash and cash equivalents	264.0			264.0
Carrying amount (= Fair value)	**1,743.1**	**3.6**	**446.9**	**2,193.6**

In millions of euros

Classes	Financial liabilities measured at amortized cost		Financial liabilities measured at fair value	Total	
Categories	Financial liabilities measured at amortized cost		Financial liabilities measured at fair value through profit or loss – derivatives (Held for trading and hedge accounting)		
	Carrying amount	Fair value	Carrying amount (= Fair value)	Carrying amount	Fair value
Liabilities 03/31/2018					
Financial liabilities – non-current	2,783.6	2,804.6		2,783.6	2,804.6
Financial liabilities – current	1,315.6	1,324.5		1,315.6	1,324.5
Trade and other payables	2,633.8	2,633.8	22.2	2,656.0	2,656.0
Total	**6,733.0**	**6,762.8**	**22.2**	**6,755.2**	**6,785.0**

In millions of euros

Categories	Financial liabilities measured at amortized cost		Financial liabilities measured at fair value		Total	
			Hedge Accounting	Other financial liabilities measured at fair value through profit or loss		
	Carrying amount	Fair value	Carrying amount (= Fair value)	Carrying amount (= Fair value)	Carrying amount	Fair value
Liabilities 09/30/2018						
Financial liabilities – non-current	2,376.3	2,376.4			2,376.3	2,376.4
Financial liabilities – current	1,756.7	1,758.1			1,756.7	1,758.1
Trade and other payables	2,309.4	2,309.4	1.6	15.5	2,326.5	2,326.5
Total	**6,442.4**	**6,443.9**	**1.6**	**15.5**	**6,459.5**	**6,461.0**

In millions of euros

The carrying amount of the financial assets and liabilities represents an adequate approximation of the fair value if there is no difference between the fair value and the carrying amount.

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

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

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

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

LEVEL OF THE FAIR VALUE HIERARCHY FOR RECURRING FAIR VALUE MEASUREMENTS

	Level 1	Level 2	Level 3	Total
03/31/2018				
Financial assets				
Derivatives (Held for trading and hedge accounting)		29.4		29.4
Fair value option (securities)	389.5			389.5
Available for sale at fair value			32.1	32.1
	389.5	**29.4**	**32.1**	**451.0**
Financial liabilities				
Financial liabilities measured at fair value through profit or loss – derivatives (Held for trading and hedge accounting)		22.2		22.2
	0.0	**22.2**	**0.0**	**22.2**
09/30/2018				
Financial assets				
Other financial assets – non-current	1.6		32.1	33.7
Liabilities from derivatives – hedge accounting		3.6		3.6
Trade and other receivables		34.3	122.9	157.2
Other financial assets – current	256.0			256.0
	257.6	**37.9**	**155.0**	**450.5**
Financial liabilities				
Liabilities from derivatives – hedge accounting		1.6		1.6
Trade and other payables		15.5		15.5
	0.0	**17.1**	**0.0**	**17.1**

In millions of euros

The securities valued at EUR 257.6 million are shown as FVTPL in financial assets and are allocated to the “sale” business model. This group of financial assets is managed pursuant to the documented risk management and investment strategy based on their fair value, and their performance is observed and reported based on the fair value as well.

Derivative transactions (Level 2) are measured using the discounted cash flow method. This entails determining the value that would be realized if the hedging position were sold. The observable currency exchange rates and raw materials prices as well as the interest rates are the input for the calculation of fair values. The fair values are calculated based on the inputs by discounting expected future cash flows at typical market interest rates.

voestalpine recognizes reclassifications between different levels of the fair value hierarchy as of the end of the reporting period in which the change occurred. No reclassifications were made in the business year 2017/18 and from April 1, 2018, through September 30, 2018.

The reconciliation of Level 3 financial assets measured at fair value from the opening balance to the closing balance is depicted as follows:

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

	04/01–09/30/2017	04/01–09/30/2018
Opening balance	**32.1**	**32.1**
Total of gains/losses recognized in the income statement:	0.0	0.0
Finance costs/Finance income	0.0	0.0
Closing balance	**32.1**	**32.1**

In millions of euros

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

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

LEVEL 3 – FVTPL – TRADE AND OTHER RECEIVABLES

Opening balance as of 04/01/2018	**144.1**
Disposals	–144.1
Additions	122.9
Closing balance as of 09/30/2018	**122.9**

In millions of euros

The receivables in this portfolio are sold monthly on a rolling basis as part of the Group's factoring programs. The results attributable to this portfolio are immaterial.

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

SEASONALITY AND CYCLICALITY

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

BUSINESS TRANSACTIONS WITH ASSOCIATED COMPANIES OR PARTIES

Business transactions in the form of deliveries and services are carried out with non-consolidated subsidiaries, joint ventures and associated Group companies within the scope of operational activities. These business transactions are carried out exclusively based on normal market terms.

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

As part of the first type of factoring agreement (see chapter **28. Disclosures of transactions not recorded in the statement of financial position** in the Consolidated Financial Statements for the business year 2017/18), receivables are sold to core shareholders at arm's length as of the current business year. As of September 30, 2018, these receivables were recognized at a total of EUR 125.5 million.

The first-time full consolidation of a subsidiary that had not been consolidated to date results in a decrease in both the revenue and the receivables to be disclosed in connection with related parties (effect on the values shown in the business year 2017/18: Revenue EUR –181.1 million, trade receivables EUR –25.2 million).

ANTITRUST PROCEEDINGS

As of September 30, 2018, the provisions recognized in the annual financial statements 2017/18 in the amount of EUR 30.2 million for the antitrust proceedings and associated actions and costs relative to railway superstructure material as well as for the closure of TSTG Schienen Technik GmbH & Co KG have been reduced to EUR 28.7 million due to the use of these provisions.

Companies of the High Performance Metals Division of the voestalpine Group were affected by proceedings of the German Federal Cartel Office *(Bundeskartellamt)* against companies that produce, process, or sell special steel products. These proceedings had already become public back in November 2015, following searches conducted on the premises of voestalpine's competitors. The proceedings of the Bundeskartellamt were initiated subsequent to an application under the Leniency Notice submitted by voestalpine AG. As the principal witness, no fines were imposed on the voestalpine Group. No provisions were recognized in this regard in the current interim reporting period.

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

PROVISIONS AND CONTINGENT LIABILITIES

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

EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after the reporting period.

MANAGEMENT BOARD STATEMENT
IN ACCORDANCE WITH SECTION 125 (1) OF THE AUSTRIAN STOCK EXCHANGE ACT 2018 *(BÖRSEGESETZ 2018 – BÖRSEG 2018)*

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

Linz, November 5, 2018

The Management Board

Wolfgang Eder
Chairman of the Management Board

Herbert Eibensteiner
Member of the Management Board

Franz Kainersdorfer
Member of the Management Board

Robert Ottel
Member of the Management Board

Franz Rotter
Member of the Management Board

Peter Schwab
Member of the Management Board

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

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All quantities expressed as tons in this Letter to Shareholders for the first half of the business year 2018/19 are metric tons (1,000 kg). The use of automated calculation systems may result in rounding differences.

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voestalpine
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