

Metal Engineering Division

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

Metal Engineering Division, adjusted

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

Market environment and business development

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

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

Financial key performance indicators

Declining revenue and earnings in the Metal Engineering Division during the first three quarters of 2016/17 compared to the previous business year is primarily due to the economic downturn in the oil and gas sector, but also to a weakening in the railway systems customer segment. However, over the course of the current business year the Division has succeeded in stabilizing its key indicators. Against this backdrop, in a twelve-month comparison revenue has declined by 9.9%, from EUR 2,213.0 million in the first three quarters of 2015/16 to EUR 1,994.9 million in the current reporting period. Earnings figures during the same period in the previous year contained non-recurring effects due to the acquisition of the controlling interest in the companies voestalpine Tubulars GmbH & Co KG, voestalpine Tubulars GmbH (both belonging to the Seamless Tubes business segment), and CNTT Chinese New Turnout Technologies Co., Ltd. (Turnout Systems business segment), amounting to EUR 126.5 million recorded in EBITDA and EUR 107.9 million recorded in EBIT. The depreciation of disclosed hidden reserves resulting from reassessments also included in the non-recurring effects of the previous year reduced EBIT in the first three quarters of 2016/17 by a total of EUR 11.0 million. Adjusted for these non-recurring effects, year-on-year, the operating result (EBITDA) declined by 15.1%, from EUR 300.0 million to EUR 254.6 million, and with it the EBITDA margin from 13.6% to 12.8%. During the first three quarters of 2016/17, the adjusted profit from operations (EBIT) fell from EUR 202.5 million (margin 9.2%) to EUR 151.0 million (margin 7.6%), down a total of 25.4% from the previous year's figure.

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