METAL ENGINEERING DIVISION

MARKET ENVIRONMENT AND BUSINESS DEVELOPMENT

The Metal Engineering Division posted a solid operating performance in the 2025/26 business year given the prevailing market conditions. On the one hand, the division benefited from robust demand in the Railway Systems business unit, while on the other hand, the individual segments of the Industrial Systems business unit presented a more mixed picture. Cyclical slowdowns in certain regions and product groups, as well as structural effects—particularly tariff measures—shaped performance in this area throughout the 2025/26 business year.

Over the entire reporting period, demand in the **Railway Systems** business unit developed positively. As expected, seasonal effects during the winter months led to temporary slowdowns without affecting the fundamentally stable trend.

The **rails** product segment continued to perform at a stable, high level during the reporting period, driven by continued strong demand in Europe, particularly in Southeast Europe and the DACH region. During the winter months, the market experienced the usual seasonal slowdown, and the phasing out of EU subsidies led to a decline in project awards in the CEE region; however, this was largely offset by individual international projects. In the final quarter of the 2025/26 business year, demand in selected European markets declined slightly but remained at a good level overall.

The **turnout systems** product segment recorded a largely positive performance during the reporting period. Europe showed consistently strong demand, particularly in Central and Eastern Europe, while in North America, demand remained solid throughout the 2025/26 business year despite increased procurement costs and a volatile environment resulting from U.S. tariffs. Brazil saw weak market performance at the start of the reporting period but benefited from a noticeable uptick in demand as the period progressed. The Asian market showed a generally positive but regionally mixed performance in the 2025/26 business year. Delayed projects in India and parts of Asia were offset by solid demand in China. In Africa, the market situation remained generally stable and positive throughout the reporting period.

The **signaling** product segment (sensor and signaling technology) recorded a positive performance in the 2025/26 business year, characterized by stable demand in Europe, particularly in Poland, and supplementary deliveries to the Arab region.

The **fixations** product segment performed well during the reporting period, driven by high demand for thresholds and fastening technology in Central and Eastern Europe. Seasonal declines in demand during the winter months were partially offset by increased exports to the Arab region. Toward the end of the 2025/26 business year, demand stabilized at a healthy level.

The segments of the **Industrial Systems** business unit performed differently over the course of the 2025/26 business year, depending on the product segment.

The **welding** product segment showed an overall stable performance during the reporting period. The European market was characterized by persistently challenging conditions and increasing competitive intensity. In certain product areas, the product segment faced increased activity from Chinese suppliers and ongoing price pressure. In North, Central, and South America, market momentum slowed during the 2025/26 business year. In the Middle East and Asia, however, demand remained stable. This was primarily driven by positive demand trends in China, particularly in the energy and specialty shipbuilding segments.

The **tubulars** product segment was significantly impacted by the broad effects of U.S. trade tariffs during the 2025/26 business year. Since June 2025, increased import tariffs on steel products have significantly restricted sales opportunities in the U.S. These measures necessitated a gradual reduction in production capacity alongside cost-saving programs, as well as a regional diversification toward the MENA region that had already been initiated previously.

The **wire** product segment faced subdued market sentiment in the core automotive, construction, and mechanical engineering sectors throughout the 2025/26 business year. Only specialty applications such as ball bearing steels, prestressing wires for railroad sleepers, and specialty wires for wind tower construction showed positive development. In a market situation characterized by overcapacity, a slight recovery became apparent toward the end of the business year. The implementation of the European CBAM system also showed initial positive momentum.

FINANCIAL KEY PERFORMANCE INDICATORS

Revenue for the Metal Engineering Division decreased by 2.7% year-over-year in the 2025/26 business year, from EUR 4,167.9 million in the 2024/25 business year to EUR 4,054.7 million in the current reporting period. The main reasons for this were declining shipment volumes and lower contract prices in the Tubulars (seamless tubes) product segment, which faced high import tariffs, particularly in the key U.S. market. In contrast, the division was able to increase sales volumes in the Rails and Wire product segments.

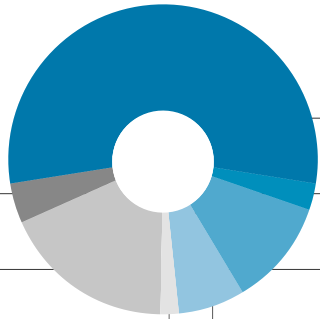
The Metal Engineering Division's operating result (EBITDA) for the current reporting period was EUR 374.5 million (margin 9.2%), down 18.8% from the prior-year figure of EUR 461.1 million (margin 11.1%). Difficult market conditions led to a significant decline in earnings in the Industrial Systems business unit—and here, above all, in the Tubulars segment. The Railway Systems business unit also remained slightly below the high earnings level of the previous year. The division's EBIT decreased by 32.7% year-over-year, from EUR 273.5 million (margin 6.6%) to EUR 184.0 million (margin 4.5%).

In a direct quarter-on-quarter comparison between the third and fourth quarters of 2025/26, revenue declined slightly, while earnings showed a significant improvement. Revenue decreased by 1.8% from EUR 983.7 million to EUR 965.7 million. The Railway Systems business unit recorded a slight decline in revenue but maintained a consistently strong operating profit performance (EBITDA). The Industrial Systems business unit, on the other hand, was able to increase both revenue and earnings despite the continued challenging operating environment. Overall, the Metal Engineering Division increased EBITDA by 35.6% from EUR 77.5 million (margin 7.9%) to EUR 105.1 million (margin 10.9%). EBIT reached EUR 57.8 million (margin 6.0%) in the fourth quarter of the 2025/26 business year, representing a 95.9% increase over the previous quarter (EUR 29.5 million, margin 3.0%).

As of March 31, 2026, the Metal Engineering Division employed 14,914 full-time equivalents (FTEs). Compared to the reporting date at the end of the 2024/25 business year (15,071), this represents a decrease of 1.0%.

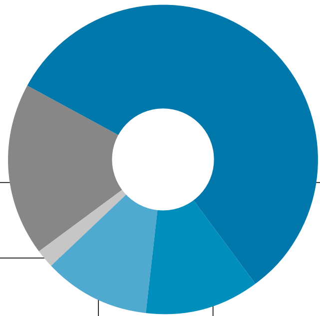
CUSTOMERS OF THE METAL ENGINEERING DIVISION

As percentage of divisional revenue, business year 2025/26



MARKETS OF THE METAL ENGINEERING DIVISION

As percentage of divisional revenue, business year 2025/26



QUARTERLY DEVELOPMENT OF THE METAL ENGINEERING DIVISION

In millions of euros					BY		
	1st quarter 2025/26	2nd quarter 2025/26	3rd quarter 2025/26	4th quarter 2025/26	2025/26	2024/25	Change in %
Revenue	1,087.0	1,018.3	983.7	965.7	4,054.7	4,167.9	–2.7
EBITDA	102.0	89.9	77.5	105.1	374.5	461.1	–18.8
EBITDA margin	9.4%	8.8%	7.9%	10.9%	9.2%	11.1%	
EBIT	54.4	42.3	29.5	57.8	184.0	273.5	–32.7
EBIT margin	5.0%	4.2%	3.0%	6.0%	4.5%	6.6%	
Employees (full-time equivalent)	15,008	15,186	14,992	14,914	14,914	15,071	–1.0