Steel Division

Market environment and business development

After years of continuing growth in global steel production, 2015 brought a trend reversal. The primary factor behind this development was a structural change in the Chinese economy, from an extremely State-interventionist, investment-driven economic structure to a structure increasingly oriented toward consumerism and services. The Chinese steel industry, which currently makes up around half of all production worldwide, faced declining demand in 2015 for the first time in many years. As it had built up enormous production capacity in the steel sector in the past, it found itself with a huge structural overcapacity. Initially, the reduction in demand had a negative impact on steel prices locally due to increased competition. Subsequently, Chinese steel manufacturers dramatically expanded their export activity with the result that global steel prices came under pressure very quickly. The situation was exacerbated by the rapid plunge in prices for the primary raw materials used in steel production, caused, in turn, by declining raw materials consumption in China.

Many of the countries affected by the imports from China reacted to the glut of commodity products by imposing punitive import duties. In the spring of 2015, the European Commission initiated an investigation into dumping allegations regarding cold-rolled steel strip from China and Russia, which ultimately resulted in the imposition of provisional punitive import duties in February 2016. Also in February 2016, the Commission began a dumping investigation regarding the much more important product groups of hot-rolled steel strip and heavy plate from China, however, the decision regarding provisional import duties is not expected prior to the fall.

The development of steel prices in Europe in the past business year must be viewed against this backdrop. Despite that fact that the demand situation in those customer segments, which are significant for the steel industry, was solid—with the exception of the construction industry—toward the end of 2015, prices for hot-rolled strip on the spot market in Southern Europe fell to below EUR 300 per ton. Prices had not fallen that low even during the height of the financial and economic crisis. Although the Steel Division is firmly oriented toward high-end grades and is focused on contracted transactions with longstanding customers, it was not able to remain entirely immune to the negative sentiment. However, price cuts were considerably lower than was the case on the commodity-focused spot market. Toward the end of the business year 2015/16, steel prices on the spot market recovered slightly, however, this was due mostly to an increase in raw materials prices than to a change in the general mood.

The Steel Division benefited from its orientation toward the most sophisticated market segment, the automotive industry, which drove full capacity utilization in all of the division's major plants. Registrations of new cars in the European Union in the 2015 calendar year were again almost 10% above the previous year's level, which had already been very good. In addition to the premium producers, the manufacturers of compact and sub-compact cars were able to raise their production numbers to solid levels for the first time in quite a while. Leading European automobile manufacturers, who have high growth rates in China and the USA, are now supplied with high-quality steel grades and/or components manufactured from these grades by the Steel Division not only at their European production sites but increasingly at their international sites as well.

Key figures of the Steel Division

In millions of euros	2014/15	2015/16	Change in %
Revenue	3,873.9	3,753.7	–3.1
EBITDA	450.3	478.3	6.2
EBITDA margin	11.6%	12.7%	
EBIT	208.0	220.0	5.8
EBIT margin	5.4%	5.9%	
Employees (full-time equivalent)	11,103	10,891	–1.9

Due to subdued global growth in its most important industrial sectors, demand from the European mechanical engineering industry in the business year 2015/16 was volatile and, viewed overall, moderate at best. In contrast, the production numbers in the consumer goods industry, particularly the white goods industry, remained at a healthy level. The construction industry, which—measured against steel demand in all of Europe—has lesser importance for the Steel Division, again did not succeed in returning to a somewhat normal level of demand in the past business year with the exception of a few individual markets.

After construction of a deep-sea pipeline through the Black Sea was definitively scrapped, the focus in the energy segment in 2015/16 was on pipe supply contracts for the Baltic Sea pipeline from Russia to the European Union. In mid-April 2015, the Heavy Plate business segment was awarded a major contract for high-strength, top quality tube plates for the "Nord Stream 2" project. Delivery of several hundred thousand tons of special plate will be carried out between August 2016 and February 2018 to voestalpine's strategic partner OMK, Russia. Capacity utilization of the new heavy plate rolling stand in the business year 2015/16 was satisfactory, due especially to an order for 95,000 tons of high-quality tube plates for a natural gas project in the United Arab Emirates.

Financial key performance indicators

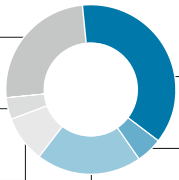
Despite increasingly fierce competition, the Steel Division boosted its earnings-based key performance indicators in the business year 2015/16 in a year-over-year comparison. In contrast, revenue fell slightly, as both the price level and the delivery volumes in 2015/16 were under the previous year's figures. In a year-to-year comparison, revenue went down by 3.1% from EUR 3,873.9 million to EUR 3,753.7 million. While the decline in sales revenue was more than fully compensated by lower input costs for raw materials, the four-and-one-half-month, scheduled major repair of blast furnace 5 resulted in smaller delivery volumes and thus a lower result as well. The fact that in the business year just ended the previous year's operating result (EBITDA) and profit from operations (EBIT) have been surpassed is due to the positive effects of the ongoing efficiency and cost optimization program. Consequently, the operating result (EBITDA) rose by 6.2% from EUR 450.3 million in the business year 2014/15 to EUR 478.3 million in 2015/16, with the EBITDA margin increasing from 11.6% to 12.7%. EBIT improved by 5.8% from EUR 208.0 million (margin: 5.4%) to EUR 220.0 million (margin: 5.9%).

In a direct quarter-to-quarter comparison between the third and the fourth quarter of 2015/16, the figures were also positive. Due to a significant increase in delivery volume, revenue showed a gain of 8.8% from EUR 844.3 million to EUR 918.6 million. Greater volumes also resulted in a boost of the operating result (EBITDA) by 11.2% from EUR 106.6 million in the third quarter to EUR 118.5 million in the fourth quarter of 2015/16. The EBITDA margin rose slightly from 12.6% to 12.9%. EBIT improved in the same period by 10.9% from EUR 41.4 million (margin: 4.9%) to EUR 45.9 million (margin: 5.0%).

As of March 31, 2016, the Steel Division had 10,891 employees (FTE); in comparison to the figure on the reporting date in the previous year (11,103 employees), this corresponds to a slight decrease of 1.9%.

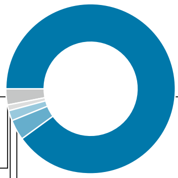
Customers of the Steel Division

As percentage of divisional revenue
Business year 2015/16



Markets of the Steel Division

As percentage of divisional revenue
Business year 2015/16



Quarterly development of the Steel Division

In millions of euros	1st quarter 2015/16	2nd quarter 2015/16	3rd quarter 2015/16	4th quarter 2015/16	BY 2015/16
Revenue	1,060.9	929.9	844.3	918.6	3,753.7
EBITDA	134.2	119.0	106.6	118.5	478.3
EBITDA margin	12.6%	12.8%	12.6%	12.9%	12.7%
EBIT	74.7	58.0	41.4	45.9	220.0
EBIT margin	7.0%	6.2%	4.9%	5.0%	5.9%
Employees (full-time equivalent)	11,036	11,054	10,858	10,891	10,891

Special Steel Division

Market environment and business development

As was the case throughout the entire Group, growing regional political instability, economic embargos, often drastic declines in raw materials prices, and significant currency fluctuations dampened the Special Steel Division's economic environment in the past business year. The oil price that remained low reduced oil and natural gas exploration and the associated use of special steel in this important customer industry, leading to a substantial decrease in incoming orders from this sector. The division's sales in the mechanical engineering sector were adversely impacted by diminished demand, particularly from China, while in contrast, the trend in the aerospace sector continued to be positive. Demand in the tool steel segment also remained healthy, primarily due to a high level of incoming orders from the automotive industry.

Viewed regionally, the picture during the business year just ended varied widely from region to region. Despite a stable trend in the automotive and consumer goods industries and the continuing positive outlook in the aerospace sector, Europe otherwise remained a market with little growth momentum. Energy engineering (power plants), a sector which has been weak for years, did not demonstrate any noticeable trend toward recovery, and the mechanical engineering sector also remained below expectations. The low level of investment activity in the oil and natural gas industries worldwide has also had a considerable negative effect on the European suppliers of global oil field equipment manufacturers. The direct impact of the political conflict between Russia and Ukraine remained minimal, however, certain indirect effects, primarily in the mechanical engineering sector and in the agricultural industry were noticeable.

In the USA, business volume with Europe grew substantially in 2015/16, especially after the devaluation of the euro vis-à-vis the dollar. This applies particularly to the competitive position of the Special Steel Division vis-à-vis its North American competitors in the aerospace sector. Although business with the oil and natural gas industries has been marked by a dramatic slump since the summer of 2015, the oil and natural gas service center in Houston, Texas, USA, which was opened last year, demonstrated its competence as a flexible partner to cover requirements that arise on short notice, showing that a business expansion is possible even in times of crisis. Furthermore, as production capacity in the automotive sector, particularly in Mexico, was expanded, demand for tool steel was on a positive trajectory.

In South America, especially in Brazil, the economic climate in the past business year has continued to worsen. Industry, especially the entire automotive sector, again faced declining sales. Rising unemployment, falling income, and, not least, corruption scandals have depressed investment activity in all major industrial segments. The sole positive aspect of the economic trend in Brazil was the significantly lower rate of exchange of the Brazilian real, which improved its international competitiveness, especially with regard to exports to North America. In Asia, particularly in India and China, the division benefited from the favorable economic trend in the customer industries important for its products so that business activities in this region were expanded compared to previous years.

In the business year 2015/16, the High Performance Metals (production) business segment

Key figures of the Special Steel Division[1]

In millions of euros	2014/15	2015/16	Change in %
Revenue	2,777.4	2,650.9	–4.6
EBITDA	406.9	364.1	–10.5
EBITDA margin	14.6%	13.7%	
EBIT	253.6	227.2	–10.4
EBIT margin	9.1%	8.6%	
Employees (full-time equivalent)	13,490	13,470	–0.2

[1] Business year 2014/15, Q1 2015/16 and Q2 2015/16 retroactively adjusted.
Further details are given in the Notes to the consolidated financial statements 2015/16 "B. Summary of accounting policies".

faced not only less demand but also had to contend with customers' high inventory levels. As a result, temporary capacity adjustments had to be made at individual locations. Nevertheless, sales of premium products, e.g., remelted and powder-metallurgical steel, increased even further. The market situation for products for the heavy mechanical engineering industry and the energy engineering industry remained challenging. In contrast, demand for special steel for the aerospace industry continued to be very satisfactory. The restructuring process at the Buderus Edelstahl production site in Wetzlar, Germany, continued systematically. The focus remains on a drastic reduction in costs and a partial strategic reorientation toward tool steel products.

In the Value-Added Services business segment, service offerings were increased on a broad basis in the past business year by expanding existing sites and establishing and acquiring new ones (see Chapters "Investments" and "Acquisitions"). By investing in this business segment with its already existing 160 service centers, the division is continuing to expand its leading position as a premium service provider for toolmaking worldwide. Despite challenging market conditions, this resulted in an increase of delivery volume with relatively minor price fluctuation.

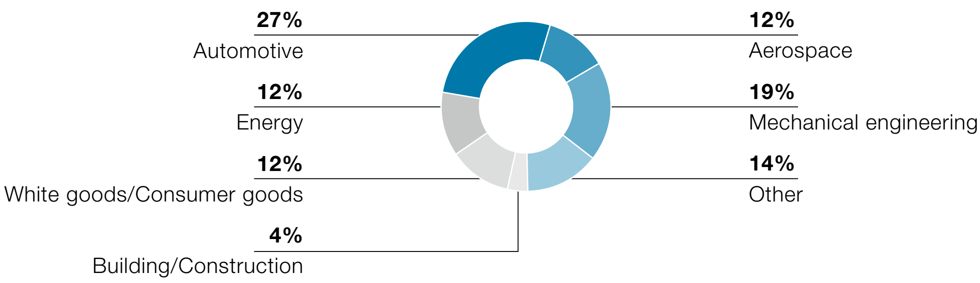
Financial key performance indicators

Low demand from the oil and natural gas industries in the business year 2015/16 resulted largely in a reduction of the division's delivery volume. Premium steel, however, was the exception, with deliveries increasing. At the same time, passing on declining costs for alloy metals to customers resulted in falling prices, although the weaker euro vis-à-vis the US dollar had positive revenue and earnings effects for deliveries to US dollar regions. Nevertheless, revenue fell by 4.6% overall from EUR 2,777.4 million in 2014/15 to EUR 2,650.9 million in 2015/16. The declining raw materials prices affected not only the price level but also required value adjustments of inventory that had commensurate negative effects on earnings. The continuation of comprehensive cost optimization programs compensated this trend in part, however, the operating result (EBITDA) dropped by 10.5% from EUR 406.9 million to EUR 364.1 million. As a result, at 13.7%, the EBITDA margin in the business year 2015/16 was also lower than the previous year's figure of 14.6%. In the same time period, EBIT fell by 10.4% from EUR 253.6 million to EUR 227.2 million, while the EBIT margin went down from 9.1% to 8.6%.

A direct quarter-to-quarter comparison between the third and the fourth quarter of 2015/16 showed a significant increase of the key figures, primarily a result of seasonal effects. Overall, revenue increased due to a higher delivery volume in the fourth quarter by 8.1% from EUR 616.0 million to EUR 666.1 million. Concurrently, EBITDA rose by 41.2% from EUR 73.8 million (margin: 12.0%) to EUR 104.2 million (margin: 15.6%). EBIT escalated sharply by 70.4%, going from EUR 40.5 million in the third quarter of 2015/16 to EUR 69.0 million in the fourth quarter of 2015/16, with the EBIT margin increasing in a direct quarter-to-quarter comparison from 6.6% to 10.4%.
As of March 31, 2016, the Special Steel Division had 13,470 employees (FTE). This is 0.2% less than on the previous year's reporting date (13,490 FTE), although the division made acquisitions in the business year 2015/16.

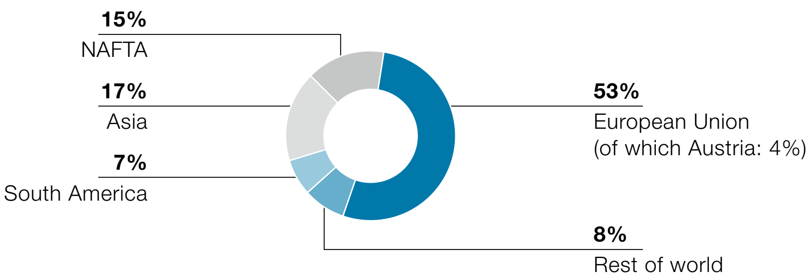
Customers of the Special Steel Division

As percentage of divisional revenue
Business year 2015/16



Markets of the Special Steel Division

As percentage of divisional revenue
Business year 2015/16



Quarterly development of the Special Steel Division[1]

In millions of euros	1st quarter 2015/16	2nd quarter 2015/16	3rd quarter 2015/16	4th quarter 2015/16	BY 2015/16
Revenue	709.0	659.8	616.0	666.1	2,650.9
EBITDA	99.9	86.2	73.8	104.2	364.1
EBITDA margin	14.1%	13.1%	12.0%	15.6%	13.7%
EBIT	65.2	52.5	40.5	69.0	227.2
EBIT margin	9.2%	8.0%	6.6%	10.4%	8.6%
Employees (full-time equivalent)	13,411	13,434	13,301	13,470	13,470

[1] Business year 2014/15, Q 1 2015/16 and Q 2 2015/16 retroactively adjusted.
Further details are given in the Notes to the consolidated financial statements 2015/16 "B. Summary of accounting policies".

Metal Engineering Division

Market environment and business development

The performance of the Metal Engineering Division in 2015/16 was characterized by a sustained favorable environment in its most important market segment, railway infrastructure. The fact that the (adjusted) earnings figures were ultimately lower than those of previous years is largely due to the dramatic deterioration of the market environment for oil and natural gas in the course of the year. As a result of both market- and cost-based measures that were taken promptly, the decline of the operating result was kept at a manageable level and steel capacity at the site in Donawitz, Austria, was largely fully utilized throughout the entire business year 2015/16.
In the Rail Technology business segment, the trend on the European market was particularly gratifying. As a result both production and delivery volume of high quality rail grades reached a new record level in the business year 2015/16. In contrast, the overseas railway projects, especially in the heavy-haul transport market, experienced comparatively weak demand, especially from the mining sector, for the first time in years. The commissioning of a new walking beam furnace in the fourth quarter of the business year 2015/16 was another step toward an additional increase in productivity and quality in the Rail Technology business segment.

The Turnout Systems business segment can look back the most successful business year in its history. This enabled the division to not only compensate for the weakness in demand from the mining sector but to emphasize its position as the global leading provider of turnout systems due to further growth in both the high-speed and mass transit segments. Viewed regionally, the Turnout Systems business segment benefited from continuing demand from the USA for turnouts for urban use, while demand from the heavy-haul transport segment softened noticeably in the course of the year. On one hand, this decline has structural reasons (reduction of the transport volume of coal for power plants due to the shift to natural gas-powered power plants) and economic reasons on the other (reduced transports of raw materials, e.g., oil, ore, coal, equipment). Declining raw materials transports due to economic listlessness are also the reason for reduced investment in railway infrastructure in Australia, Brazil, and South Africa. In China, extensive investments in the expansion of the high-speed network continued, resulting in a sustained solid trend, while in India, bureaucratic obstacles led to project delays. As far as Europe is concerned, the Turnout Systems business segment benefited from extensive investments in the maintenance and expansion of the railway network.
In the Wire Technology business segment, the cornerstone was the momentum in demand from the automotive industry in the business year 2015/16. In contrast, incoming orders from the construction and mechanical engineering segments were subdued. The run-up phase for production of ultra-high-tensile fine wire at a new plant in Fürstenfeld, Austria, is going well, especially due to increasing customer demand from the revitalized photovoltaics industry. The Italian wire processing company Trafilerie Industriali S.p.A., which was acquired in the previous year, has been successfully integrated into the Wire Technology business segment. In 2016/17, the focus of the business segment will be on the completion of the commissioning process of the new wire rolling mill in Donawitz, Austria.
In the business year just ended, Seamless Tubes, the business segment in the voestalpine Group

Key figures of the Metal Engineering Division

In millions of euros	2014/15	2015/16	Change in %
Revenue	2,593.0	2,850.4	9.9
EBITDA	419.8	510.9	21.7
EBITDA margin	16.2%	17.9%	
EBIT	292.1	314.9	7.8
EBIT margin	11.3%	11.0%	
Employees (full-time equivalent)	11,685	12,675	8.5

Key figures of the Metal Engineering Division adjusted

In millions of euros	2014/15	2015/16	Change in %
Revenue	2,593.0	2,850.4	9.9
EBITDA adjusted	419.8	384.4	–8.4
EBITDA margin adjusted	16.2%	13.5%	
EBIT adjusted	292.1	251.5	–13.9
EBIT margin adjusted	11.3%	8.8%	
Employees (full-time equivalent)	11,685	12,675	8.5

that has most exposure to the current weakness of the oil and natural gas industries, faced a significant decline in incoming orders, especially due to the deterioration of its most important market North America. While oil exploration activities in the USA were at a historically low level, demand from the Middle East remained relatively satisfactory, although price competition was fierce. Comprehensive cost reduction measures, including personnel adjustments, but also new, innovative product solutions to increase productivity in oil and natural gas production were the most important countermeasures taken to cushion the precarious market trend.

The Welding Consumables business segment faced a continuing weak market in 2015/16—as had been the case in previous years, especially in the European energy engineering and power plant construction market. Viewed regionally, market conditions remained very challenging in Europe and particularly in China and Brazil. The optimization measures launched in the business year 2013/14 should produce a substantial operational improvement in this business segment by 2016/17, despite continuing weak demand in its core markets.

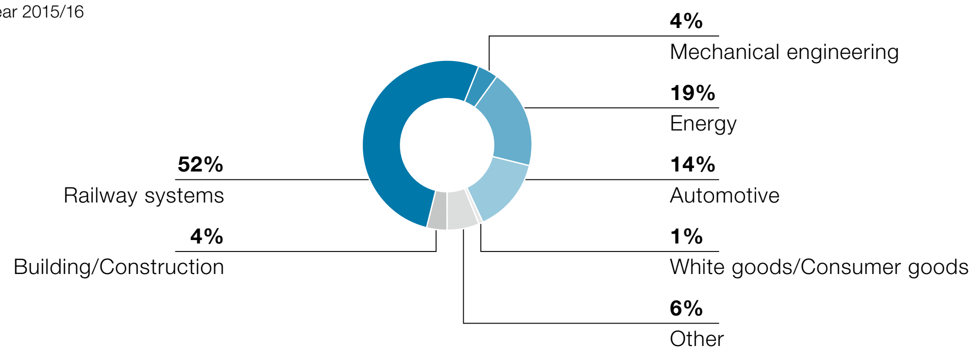
Financial key performance indicators

The Metal Engineering Division's key figures in the business year 2015/16 were quite solid considering the challenging market conditions in the energy sector. The division increased its revenue by 9.9% from EUR 2,593.0 million in the previous year to EUR 2,850.4 million in the reporting period; this gain is primarily the result of the first-time full consolidation of the revenue generated by voestalpine Tubulars GmbH & Co KG, voestalpine Tubulars GmbH (both Seamless Tubes business segment) and CNTT Chinese New Turnout Technologies Co., Ltd. (Turnout Systems business segment). The equity method had been used by the companies to report financial results up to and including the business year 2014/15 so that their earnings were not included in the voestalpine consolidated financial statements. The increase in earnings is due to non-recurring effects in connection with the acquisition of the controlling interest in the two companies, which were fully consolidated for the first time. In the business year 2015/16, the division reported positive non-recurring effects from reassessments of these two companies based on fair value less depreciation of hidden reserves totaling EUR 126.5 million reported in the operating result (EBITDA) and EUR 63.4 million reported in profit from operations (EBIT).

This also includes the depreciation of intangible fixed assets relative to the hidden reserves disclosed when the method of consolidation was changed for voestalpine Tubulars GmbH & Co KG in the fourth quarter of 2015/16. This need to record an impairment adjustment was caused by the negative market trend, in particular, the prices for oil and natural gas, which have fallen considerably.
Overall, the operating result (EBITDA) improved by 21.7% compared with the previous year, going from EUR 419.8 million to EUR 510.9 million, while profit from operations (EBIT) rose by 7.8% from EUR 292.1 million to EUR 314.9 million. Disregarding any non-recurring effects, EBITDA declined by 8.4% to EUR 384.4 million and EBIT fell by 13.9% to EUR 251.5 million. The adjusted EBITDA margin in the business year 2015/16 is 13.5% (previous year: 16.2%), while the EBIT

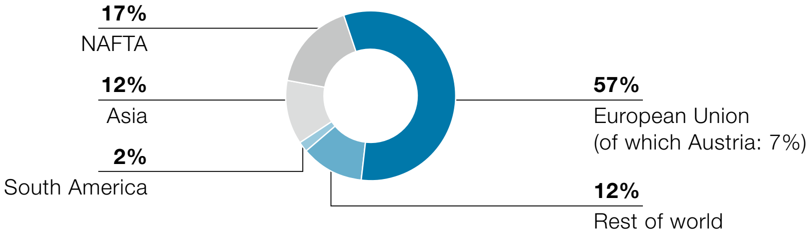
Customers of the Metal Engineering Division

As percentage of divisional revenue
Business year 2015/16



Markets of the Metal Engineering Division

As percentage of divisional revenue
Business year 2015/16



margin adjusted for non-recurring effects dropped from 11.3% to 8.8%. The outstanding performance in the Railway Systems business segment and the concurrent cost reduction measures in the wake of the challenging conditions in the oil and natural gas sector were not sufficient to fully compensate the extremely weak market in the energy sector.

A quarter-to-quarter comparison of the fourth quarter of 2015/16 with the immediately preceding quarter shows a decrease in revenue of 7.3% from EUR 687.7 million in the third quarter to EUR 637.4 million in the following quarter. Due to project- and accounting-related reasons, business volume for rails and turnout systems in the first calendar quarter was slightly below the level of the fall quarter. EBITDA declined in a quarter-to-quarter comparison by 6.6% from EUR 90.4 million to EUR 84.4 million, while the margin remained stable at 13.2% (margin in the third quarter: 13.1%). EBIT was affected by negative non-recurring effects in both quarters: EUR −6.2 million in the third quarter and EUR −44.5 million in the fourth quarter. Adjusted for the non-recurring effects, EBIT in the fourth quarter was EUR 49.0 million, 15.8% under the figure in the third quarter (EUR 58.2 million) due to seasonal effects. The adjusted EBIT margin declined commensurately from 8.5% to 7.7%.

As of March 31, 2016, the Metal Engineering Division had 12,675 employees (FTE), almost 1,000 persons or 8.5% more than on the same reporting date in the past business year (11,685). This rise is largely due to the fact that the staff of voestalpine Tubulars GmbH & Co KG, voestalpine Tubulars GmbH, and CNTT Chinese New Turnout Technologies Co., Ltd. were included in the overall number of employees as these companies were fully consolidated for the first time.

Quarterly development of the Metal Engineering Division

In millions of euros	1st quarter 2015/16	2nd quarter 2015/16	3rd quarter 2015/16	4th quarter 2015/16	BY 2015/16
Revenue	774.0	751.3	687.7	637.4	2,850.4
EBITDA	236.1	100.0	90.4	84.4	510.9
EBITDA margin	30.5%	13.3%	13.1%	13.2%	17.9%
EBIT	197.2	61.2	52.0	4.5	314.9
EBIT margin	25.5%	8.1%	7.6%	0.7%	11.0%
Employees (full-time equivalent)	13,097	13,080	12,652	12,675	12,675

Quarterly development of the Metal Engineering Division adjusted

In millions of euros	1st quarter 2015/16	2nd quarter 2015/16	3rd quarter 2015/16	4th quarter 2015/16	BY 2015/16
Revenue	774.0	751.3	687.7	637.4	2,850.4
EBITDA adjusted	109.6	100.0	90.4	84.4	384.4
EBITDA margin adjusted	14.2%	13.3%	13.1%	13.2%	13.5%
EBIT adjusted	76.8	67.5	58.2	49.0	251.5
EBIT margin adjusted	9.9%	9.0%	8.5%	7.7%	8.8%
Employees (full-time equivalent)	13,097	13,080	12,652	12,675	12,675

Metal Forming Division

Market environment and business development

Considering the fact that the market environment for the Tubes & Sections business segment, as well as the Automotive Body Parts business segment, which is the largest one in the Group, was challenging over long stretches of the year, the performance of the Metal Forming Division in the business year 2015/16 was very solid. From a purely operational perspective, i.e., ignoring any non-recurring effects, the previous year's results were surpassed to a significant degree. The Automotive Body Parts business segment, in particular, experienced excellent demand, which came from German premium manufacturers but from elsewhere as well. As the leading European automobile manufacturers are increasingly establishing local production facilities in the ever more important markets of North America and China, the business segment benefits from this development because it has local plants as well. Generally, global launch phase of these facilities, especially the newest generation of hot forming facilities, is right on schedule. The implementation of this internationalization strategy also means an additional extension of the value chain as an established systems supplier primarily for the sophisticated automobile sector.

The demand situation in the Tubes & Sections business segment in the business year 2015/16 did not have much momentum, especially in its European core markets. The situation did not improve until the end of the business year. It was possible to largely compensate the decline of both revenue and operating result on the Brazilian market, which has completely collapsed, by undertaking market- and cost-related countermeasures. On the Russian market, which is also currently weak, even rigorous restructuring measures were ultimately not able to reestablish long-term prospects for the divisional company voestalpine Arkada Profil. Continuing to operate this company no longer made sense, either economically or strategically. The only option that remained was closing the company as of the end of the business year. In China, incoming orders from international customers for automotive tube components for safety-related parts in the construction machinery segment increased in the course of the year. Performance was also positive in the UK and North America. While customer-specific product solutions for the construction industry were very much in demand in the UK, in the USA, it was primarily storage logistics and the aerospace industry that drove demand. As the prices for basic foodstuff have remained low worldwide, deliveries of tube and section components for the agricultural machinery segment were generally very modest in the past business year.

In the Precision Strip business segment, 2015/16 saw solid performance in the consumer goods segment on one hand, but on the other, it was affected by more intense competition in the segment of bimetallic strip for the mill industry. This business segment benefited because in the consumer goods industry the trend toward mail order continues to be strong so that there is an increasing demand for cutting tools for the packaging industry. Viewed regionally, the market in Europe remained cautious, however, as the number of suppliers has decreased, new customers have been acquired in both Europe and China. The

Key figures of the Metal Forming Division

In millions of euros	2014/15	2015/16	Change in %
Revenue	2,335.2	2,224.9	–4.7
EBITDA	331.3	290.5	–12.3
EBITDA margin	14.2%	13.1%	
EBIT	220.7	194.5	–11.9
EBIT margin	9.5%	8.7%	
Employees (full-time equivalent)	10,328	10,470	1.4

Key figures of the Metal Forming Division adjusted

In millions of euros	2014/15	2015/16	Change in %
Revenue	2,335.2	2,224.9	–4.7
EBITDA adjusted	269.4	290.5	7.8
EBITDA margin adjusted	11.5%	13.1%	
EBIT adjusted	175.5	194.5	10.8
EBIT margin adjusted	7.5%	8.7%	
Employees (full-time equivalent)	10,328	10,470	1.4

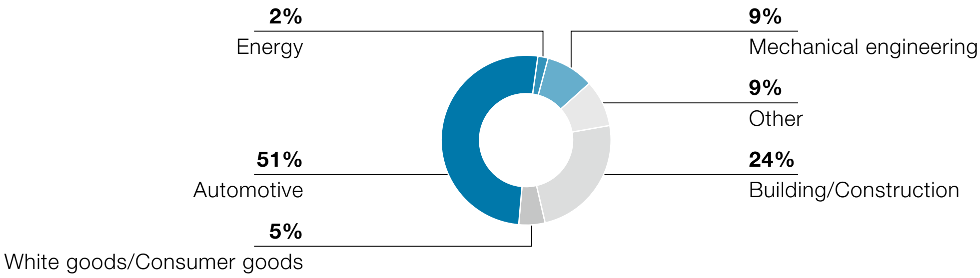
market environment in North America has continued to be healthy in 2015/16. By acquiring the US company Wickeder Steel Company, which is headquartered in Pleasant Prairie, Wisconsin, the Group's market presence in the segment of hardened special steel strip, for example, for the food sector, was expanded.
In the Warehouse & Rack Solutions business segment, the improved market environment in recent years is inseparably linked to the increasing importance of online retail sales as the main driver of demand for high-bay racking solutions. Against this backdrop, roof and wall-supported high-bay systems and fully automatic in-house storage racks have been more firmly established on the market. All in all, incoming orders were very strong in 2015/16. In the future, the focus in this business segment will be primarily on North America and Asia.

Financial key performance indicators

In the business year 2015/16, the Metal Forming Division boosted its adjusted results significantly despite a decline in revenue. Weaker revenues were due to a portfolio streamlining in the Automotive Body Parts business segment in the business year 2014/15 (divestment of the Flamco Group, plastics companies, Rotec AB) on one hand and on the other, they are the result of generally recessive prices resulting from lower prematerial costs. A solid level of demand from the automotive industry and the division's consistent expansion of its global presence had positive effects. Overall, revenue decreased in a year-over-year comparison by 4.7% from EUR 2,335.2 million to EUR 2,224.9 million. As far as earnings are concerned, the reported key figures in the year under review were lower than in the business year 2014/15, however, after deducting the positive non-recurring effects in the previous year (EUR 61.9 million reported in the operating result (EBITDA) and EUR 45.2 million reported in profit from operations (EBIT)) in connection with the aforementioned divestments, there is a marked operational improvement in a year-to-year comparison. All four business segments of the Metal Forming Division contributed equally to this result. It should be emphasized that it is due primarily to comprehensive cost optimization measures and contributions from expansion of business activities in China and the USA. The reported operating result (EBITDA) decreased in a year-over-year comparison by 12.3% from EUR 331.3 million (margin: 14.2%) to EUR 290.5 million (margin: 13.1%). The decline in the profit from operations (EBIT) was similar, falling by 11.9% from EUR 220.7 million (margin: 9.5%) to EUR 194.5 million (margin: 8.7%). Disregarding any non-recurring effects from the previous year, the operating result (EBITDA) improved by 7.8% compared with the previous year, going from EUR 269.4 million to EUR 290.5 million, while profit from operations (EBIT) rose by 10.8% from EUR 175.5 million to EUR 194.5 million. The adjusted EBITDA margin went up from 11.5% to 13.1%, while the adjusted EBIT margin increased from 7.5% to 8.7%.
The quarter-to-quarter comparison of the fourth quarter of 2015/16 with the immediately preced-

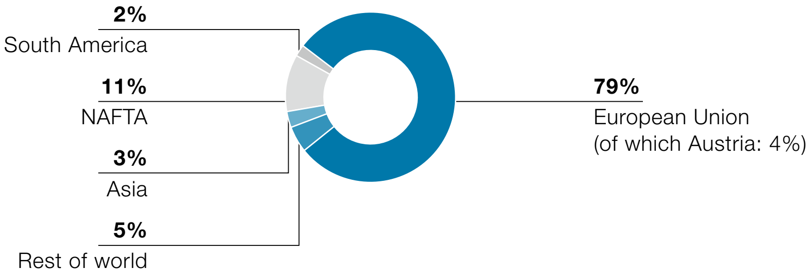
Customers of the Metal Forming Division

As percentage of divisional revenue
Business year 2015/16



Markets of the Metal Forming Division

As percentage of divisional revenue
Business year 2015/16



Quarterly development of the Metal Forming Division

In millions of euros	1st quarter 2015/16	2nd quarter 2015/16	3rd quarter 2015/16	4th quarter 2015/16	BY 2015/16
Revenue	565.5	540.9	543.4	575.1	2,224.9
EBITDA	69.3	69.0	67.2	85.0	290.5
EBITDA margin	12.3%	12.8%	12.4%	14.8%	13.1%
EBIT	46.1	45.4	42.9	60.1	194.5
EBIT margin	8.1%	8.4%	7.9%	10.5%	8.7%
Employees (full-time equivalent)	10,282	10,314	10,212	10,470	10,470

ing quarter showed a very positive trend. The Metal Forming Division increased its revenue by 5.8% from EUR 543.4 million to EUR 575.1 million. The highest gain percentage-wise was achieved by the Tubes & Sections business segment, with an improvement of both prices and volumes. As far as earnings are concerned, the division reported an even more substantial upward trend; the excellent performance in the fourth quarter of 2015/16 is the result of contributions by all four business segments, which has created a strong foundation for the division. The main reasons for the boost were an improvement in the gross margin and an increase in delivery volumes. Against this backdrop, the operating result (EBITDA) grew by 26.5% from EUR 67.2 million in the third quarter of 2015/16 to EUR 85.0 million in the following quarter, with the EBITDA margin rising from 12.4% to 14.8%. In the same period, EBIT surged by 40.1% from EUR 42.9 million to EUR 60.1 million, with the EBIT margin growing commensurately from 7.9% to 10.5%.

As of the end of the business year 2015/16, the number of employees (FTE) in the Metal Forming Division was 10,470 or 1.4% above last year's figure (10,328). The increase in headcount is the result of the acquisition of the Wickeder Steel Company in the USA and the expansion of project activities in the Warehouse & Rack Solutions business segment in the business year just ended.