work. Against this backdrop, the operating result (EBITDA) fell by 22.2% from EUR 127.4 million (margin of 17.2%) to EUR 99.1 million (margin of 14.3%). Likewise, EBIT declined in the same period, specifically, by 30.1% from EUR 89.6 million (margin of 12.1%) to EUR 62.6 million (margin of 9.0%).

At 13,950 employees, the number of employees (FTE) at the end of the first half of 2017/18 exceeded the number (13,573) in the same period of the previous business year by 2.8% and the number (13,733) at the close of the previous business year by 1.6%. The rising number of employees stems primarily from the division's expansion in the Value Added Services segment.

METAL ENGINEERING DIVISION

QUARTERLY DEVELOPMENT OF THE METAL ENGINEERING DIVISION

In millions of euros	Q 1		Q 2		H 1		
	2016/17 04/01–06/30/2016	**2017/18** 04/01–06/30/2017	**2016/17** 07/01–09/30/2016	**2017/18** 07/01–09/30/2017	**2016/17** 04/01–09/30/2016	**2017/18** 04/01–09/30/2017	**Change in %**
Revenue	680.4	770.0	652.1	741.2	1,332.5	1,511.2	13.4
EBITDA	87.6	87.2	84.4	90.5	172.0	177.7	3.3
EBITDA margin	12.9%	11.3%	12.9%	12.2%	12.9%	11.8%	
EBIT	49.7	47.0	45.8	34.4	95.5	81.4	–14.8
EBIT margin	7.3%	6.1%	7.0%	4.6%	7.2%	5.4%	
Employees (full-time equivalent)	12,606	13,274	12,709	13,450	12,709	13,450	5.8

MARKET ENVIRONMENT AND BUSINESS DEVELOPMENT

The performance of the customer segments that are most important to the Metal Engineering Division was largely restrained during the first half of 2017/18. The railway systems segment, in particular, which accounts for more than one half of the division's revenue, was confronted with weaker demand for longer stretches in most sales regions. Yet even the oil and gas sector was still a ways off from a dynamic, across-the-board recovery in the first half of 2017/18 despite the satisfactory volume market. By contrast, demand from the automotive industry remained robust in the first six months of the current business year as well.

Demand in the Rail Technology business segment had already started to slump during the previous year and remained at a low level even in the first six months of 2017/18. In the year's first half, the core market, Europe, continued to be characterized by very modest maintenance investments overall; at the same time, the mining regions of Australia and Brazil produced very little momentum. The mass transit projects in the Middle East also experienced delays due to crude oil prices. Thanks to its strong market position and global diversification, the Turnout Systems business segment succeeded in using its strengths in individual regions to offset market weaknesses in others. While awards for project contracts in Europe, for example, were few and far between, just as in the railways segment, the business segment benefitted from very good demand in China for high-speed turnouts. In North America, the turnout business that is dominated by heavy-haul transports showed slight signs of recovering, whereas the momentum towards implementation of railway infrastructure measures in the mining countries Brazil, Australia, and South Africa remained moderate.

The Wire Technology business segment successfully closed the first half of 2017/18 with the start-up of the new wire rod mill, with the result that the world's most advanced plant of its kind is now fully operational. This means that the existing facility will be shut down completely by the end of October 2017. In market terms, this business segment was able to rely on strong demand from the automotive industry. The upturn in special wires for the oil and gas sector, however, is a lot more subdued. Due to the ongoing challenges in the market, in the first half of 2017/18 the ultra high-strength fine wire product segment, which serves primarily the solar and photovoltaics industry, recognized EUR 15 million in impairment losses on property, plant and equipment, which has a corresponding negative non-recurring effect on earnings.

The upward trend in the Tubulars business segment, which had started after the summer of 2016, continued in the first six months of the current business year—even though the momentum remained modest. Efficiency gains in production technology, which were accomplished to a considerable degree thanks not least to voestalpine's innovations, make shale mining economically attractive despite continued low oil and gas prices compared to the past, thus triggering a significant upturn in this U.S. market in the previous quarters. In contrast, the improvement in the Gulf States' market environment during the same period was halting. While this business segment as a whole largely achieved full capacity utilization of its aggregates, in terms of prices it has been unable so far to keep pace with the positive volume growth, because full capacity utilization of the industry remains but moderate.

The Welding Consumables business segment was confronted with strong competitive pressures in Europe that continued unabated during the first half of 2017/18. This was due above all to ongoing challenges in the energy sector's market environment (lack of power plant projects). By contrast, developments in the Chinese market were attractive, while the already muted demand situation in Brazil (the lead market in South America) was further intensified by high volatility on the currency side.

FINANCIAL KEY PERFORMANCE INDICATORS

In a year-to-year comparison, the Metal Engineering Division succeeded in lifting its revenue by 13.4% from EUR 1,332.5 million in the first half of 2016/17 to EUR 1,511.2 million in the first half of 2017/18. This was due primarily to the price increases that were driven by raw materials as well as the substantial expansion of seamless tube deliveries. The following differentiated picture emerges with respect to earnings: the operating result (EBITDA) rose by 3.3% from EUR 172.0 million (margin of 12.9%) to EUR 177.7 million (margin of 11.8%), while the profit from operations (EBIT) fell by 14.8% from EUR 95.5 million (margin of 7.2%) to EUR 81.4 million (margin of 5.4%). Structurally speaking, two striking changes relative to the previous year impacted EBITDA: substantially weaker earnings in the Rail Technology business segment on account of lower demand from the European railway market occurred in tandem with the substantially improved performance—above all in volume terms—of the Tubulars business segment. The fact that the profit from operations in the first half of 2017/18 deteriorated in contrast to the operating result is due not least to the operational launch of the new wire rod mill at the start of the business year and the resulting increase in depreciation in the Wire Technology segment. Furthermore, depreciation, amortization, and impairment in the current six-month period contain an additional EUR 15 million in non-recurring negative effects from impairment losses on property, plant and equipment in the ultra high-strength fine wire product segment due to challenging market conditions that continue unabated.

A direct comparison of the first and second quarter of the current business year shows that revenue declined by 3.7% from EUR 770.0 million in the first quarter of 2017/18 to EUR 741.2 million in the second quarter. Seasonally lower unit sales especially in the Wire Technology segment (summer breaks in the automotive industry) are responsible for this slight decline in revenue. Comparing the first and second quarters shows that EBITDA fell by 3.8% from EUR 87.2 million to EUR 90.5 million, and that the margin improved accordingly from 11.3% to 12.2%. Because the aforementioned impairment losses on property, plant and equipment in the ultra high-strength fine wires segment largely affect the second quarter, EBIT fell at the same time by 26.8% from EUR 47.0 million (margin of 6.1%) in the first quarter of 2017/18 to EUR 34.4 million (margin of 4.6 %) in the second quarter.

At 13,450, the number of employees (FTE) in the Metal Engineering Division at the end of the second quarter of 2017/18 was 5.8% higher year on year (12,709), which is due mainly to the substantial increase in the production volume in the Tubulars business segment. Compared with the figure (13,157) as of the end of the previous business year, the number of employees has risen by 2.2%.

METAL FORMING DIVISION

QUARTERLY DEVELOPMENT OF THE METAL FORMING DIVISION

In millions of euros	Q 1		Q 2		H 1		
	2016/17 04/01–06/30/2016	2017/18 04/01–06/30/2017	2016/17 07/01–09/30/2016	2017/18 07/01–09/30/2017	2016/17 04/01–09/30/2016	2017/18 04/01–09/30/2017	Change in %
Revenue	615.8	672.7	572.2	648.9	1,188.0	1,321.6	11.2
EBITDA	80.0	88.6	73.4	75.1	153.4	163.7	6.7
EBITDA margin	13.0%	13.2%	12.8%	11.6%	12.9%	12.4%	
EBIT	55.2	61.3	48.1	47.4	103.3	108.7	5.2
EBIT margin	9.0%	9.1%	8.4%	7.3%	8.7%	8.2%	
Employees (full-time equivalent)	10,481	11,300	10,724	11,498	10,724	11,498	7.2

MARKET ENVIRONMENT AND BUSINESS DEVELOPMENT

In the first half of 2017/18, the Metal Forming Division was embedded in a market environment that was solid and stable overall, benefitting especially from the improved sentiment in Europe. Particularly the Automotive Components business segment was driven by excellent unchanging demand from the automotive industry. This is substantiated by the official European statistics on new vehicle registrations, according to which the high auto sales figures in the previous year were topped yet again in the first three calendar quarters of 2017. The premium class segment, which is most important to the division, developed extremely well in both Europe and China whereas, all told, the U.S. market was stable at a satisfactory level. The increase in investments in both North America and China, especially in connection with hot forming facilities ("phs-ultraform®" and "phs-directform®"), is proceeding as planned, in turn continually boosting both the strategic and the financial significance of the sites outside of Europe.

As far as the Tubes & Sections business segment is concerned, conditions in the European market during the first half of 2017/18 improved slightly overall. This applies first and foremost to the commercial vehicle and agricultural machine industry as well as the construction industry. In Great Britain, too, the momentum in these areas was largely sustained despite the negative Brexit vote. Although the situation in South America, economically speaking, has yet to improve, the Tubes & Sections business segment which, to date, has focused largely on Brazil (the biggest single market) has developed clearly positive thanks to efficiency-boosting measures as well as comprehensive cost reduction programs and further successes in exports. Order levels in the United States were only moderate because of continued low investment levels especially in the construction and agricultural machinery industry. In China, by contrast, demand for customer-specific tubes and profiles noticeably improved during the year.

The excellent performance of the Precision Strip business segment is based not just on the good conditions in its European home markets that continue unabated, but also on the expansion of its international market position—the latter due not least to the acquisition last year of a North American competitor. The important sawmill industry, a customer segment, has performed