



# voestalpine Group

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**Press conference**

April 23, 2014, Corpus Christi/Texas

**voestalpine**

ONE STEP AHEAD.

# Group Overview

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# voestalpine Group

## Overview

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- Largest Austrian industrial group
- Originally state-owned, **IPO 1995** (Vienna Stock Exchange)
- **100% privatized** since September 2005
- Revenue 2012/13: **EUR 11.5 billion / USD 15.8 billion**
- Operating result (EBITDA): **EUR 1.5 billion / USD 2.1 billion**
- Workforce (March 2013): **46,400**
- Current market capitalization: **EUR 5.3 billion / ~ USD 7.3 billion**



# voestalpine Group

## Business model

### From a steel company to a global technology and capital goods group

- The Group's base is **high-tech steel**
- **Processing of other materials** as well (titanium, aluminum, etc.)
- Consistent “**downstream strategy**” → transformation of the Group from a steel manufacturer to a **technology and capital goods group**
- Combination of **superior metallurgical expertise** and leading **expertise in processing** → new technical solutions and innovative products



# voestalpine Group

## Business model (2)

### Number 3 in Europe in revenue and market capitalization

- Focus → **markets** with highest technology and quality demands – **mobility and energy** (60% of total revenue)
- **Long-term partnerships** with customers, suppliers, and R&D institutions **as the key to innovation**
- Sustainable **market, quality, technology, and earnings leadership**
- **Industry benchmark** in Europe, including **for environmental standards and resource efficiency**

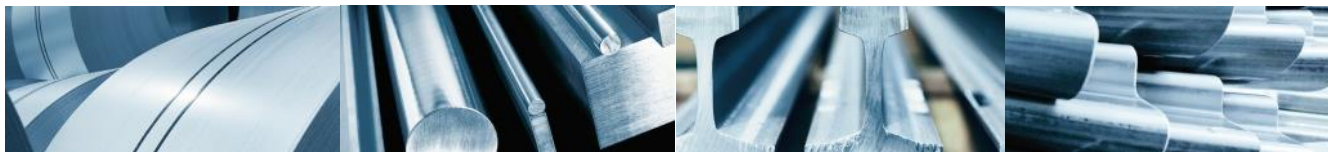


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## Overview of divisions

Business year 2012/13

Revenue: EUR 11.5 billion/  
USD 15.8 billion



Division	Steel	Special Steel	Metal Engineering	Metal Forming
Position	Worldwide quality leadership	Worldwide leadership	Worldwide leadership	Worldwide leadership
Revenue (share in %)	33%	23%	25%	19%

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## Global Presence

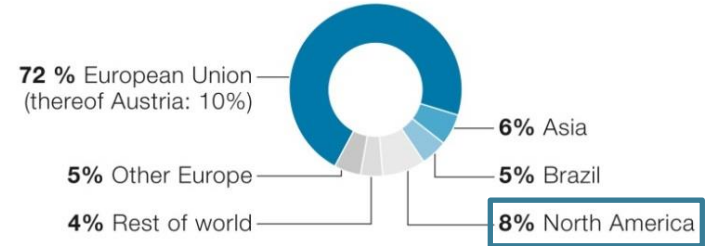


**500 Group companies and sites**  
**50 Countries – 5 Continents**

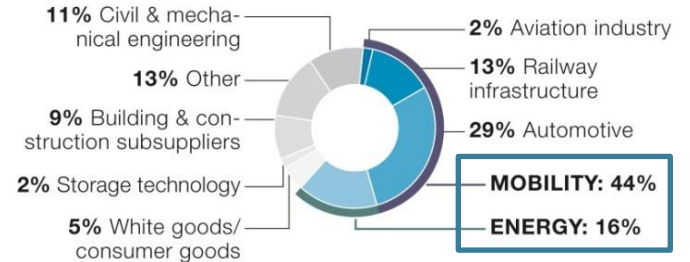
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Revenue: EUR 11.5 bn (USD 15.8 bn)  
 EBITDA: EUR 1.5 bn (USD 2.1 bn)  
 Employees: 46,400 (FTE)

### Revenue by regions (Business year 2012/13)



### Revenue by industries (Business year 2012/13)



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# voestalpine in North America




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## Overview of locations in North America



	Land	Revenue	Employees (FTE)	Locations
	USA	€ 842 million \$ 1.1 billion	1,996	49
	Canada	€ 124 million \$ 159 million	129	10
	Mexico	€ 64 million \$ 83 million	378	9
	<b>Total</b>	<b>€ 1 billion \$ 1.3 billion</b>	<b>2,503</b>	<b>68</b>

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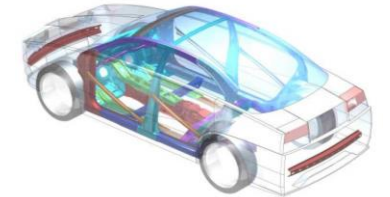
## Presence in North America<sup>\*)</sup>

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- North American share of revenue<sup>\*)</sup>: currently **8%**, > **EUR 1 billion** (about USD 1.3 billion)
- **36 companies** with a total of **68 locations** and **2,503 employees** in the USA, Canada, and Mexico
  - USA: 28 companies, 49 locations (16 producing), 1,996 employees (FTE)
  - Mexico: 4 companies, 9 locations (7 producing), 378 employees (FTE)
  - Canada: 4 companies, 10 locations (2 producing), 129 employees (FTE)

<sup>\*)</sup> Business year 2012/13

- Hot-dip galvanized, ultra-high tensile hot-stamping steel, including forming technology
- Technology is unique worldwide – properties and advantages:
  - Highest tensile strength (up to 1,500 Mpa) → advantages for lightweight construction
  - Excellent corrosion resistance
  - Complex, large components with highly precise dimensional accuracy and design freedom
  - Unique crash performance
  - Tailored property parts: components can be manufactured with different material and thickness combinations (custom-tailored adjustment to component requirements)



Combination of leading materials technology competence and future-oriented forming technology

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## Product highlights – Dreamliner

Global Rollforming  
Corporation  
Shelbyville/KY

- Highlight Dreamliner
  - Seat rails for the Boeing 787 manufactured by voestalpine
  - Technological innovations
    - Production using laser-welded titanium
    - Production of variable thicknesses (weight reduction)
    - Seat rails are load-bearing part of the aircraft

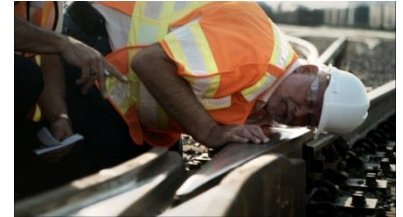


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## Product highlights – Rails and light rail

voestalpine Nortrak  
Inc.; 7 locations  
in North America

- voestalpine Nortrak Inc. provides rails and special rail systems
- Largest manufacturer of turnouts in North America
- Segment **Transit Systems** (light rail systems) is booming in urban metropolitan areas
  - **Engineering competence:** 40 employees for engineering and development
- **High-speed turnouts and rails**
  - Top speeds of around **380 km/h**
  - **Ultra-long (up to 120 m), unwelded rails**
  - **High-speed turnouts**, innovative drive systems, locking and monitoring systems, diagnostic systems



# Strategy 2020

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# voestalpine Group

## Strategy 2020

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- Consistent continuation of value-added growth
- Growth focused on the mobility and energy industries; target: 70% of total revenue → leading global position in core segments
- Expansion primarily outside of Europe; in Europe, consolidation of market, quality, and technology leadership
- Definitive transformation to a technology and capital goods group
- Sustainable consolidation of earnings leadership

Target revenue 20/21:  
EUR 20 billion  
(~ USD 27.6 billion)

Target EBIT margin (Ø): 9%

Target EBITDA margin (Ø): 14%

Target ROCE (Ø): 15%

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## Strategy 2020 – Objectives North America

- **Target: EUR 3 billion revenue (~ USD 3,9 billion) – 15% of Group's revenue**
  - Currently > EUR 1 billion (USD 1.3 billion), around 8% of Group's revenue
- **Current focal points**
  - Customer sectors of mobility (railway infrastructure technology, automotive components, aviation) and energy (oil, natural gas, turbines)
  - Current investments
    - Direct reduction plant in Texas for the production of HBI; Group's largest foreign investment (EUR 550 million / USD 740 million)
    - Plant for ultra-high strength body-in-white components in Cartersville/Georgia (EUR 50 million / USD 69 million)





# Direct reduction plant voestalpine Texas LLC/ Corpus Christi

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# Direct Reduction Plant – voestalpine Texas LLC

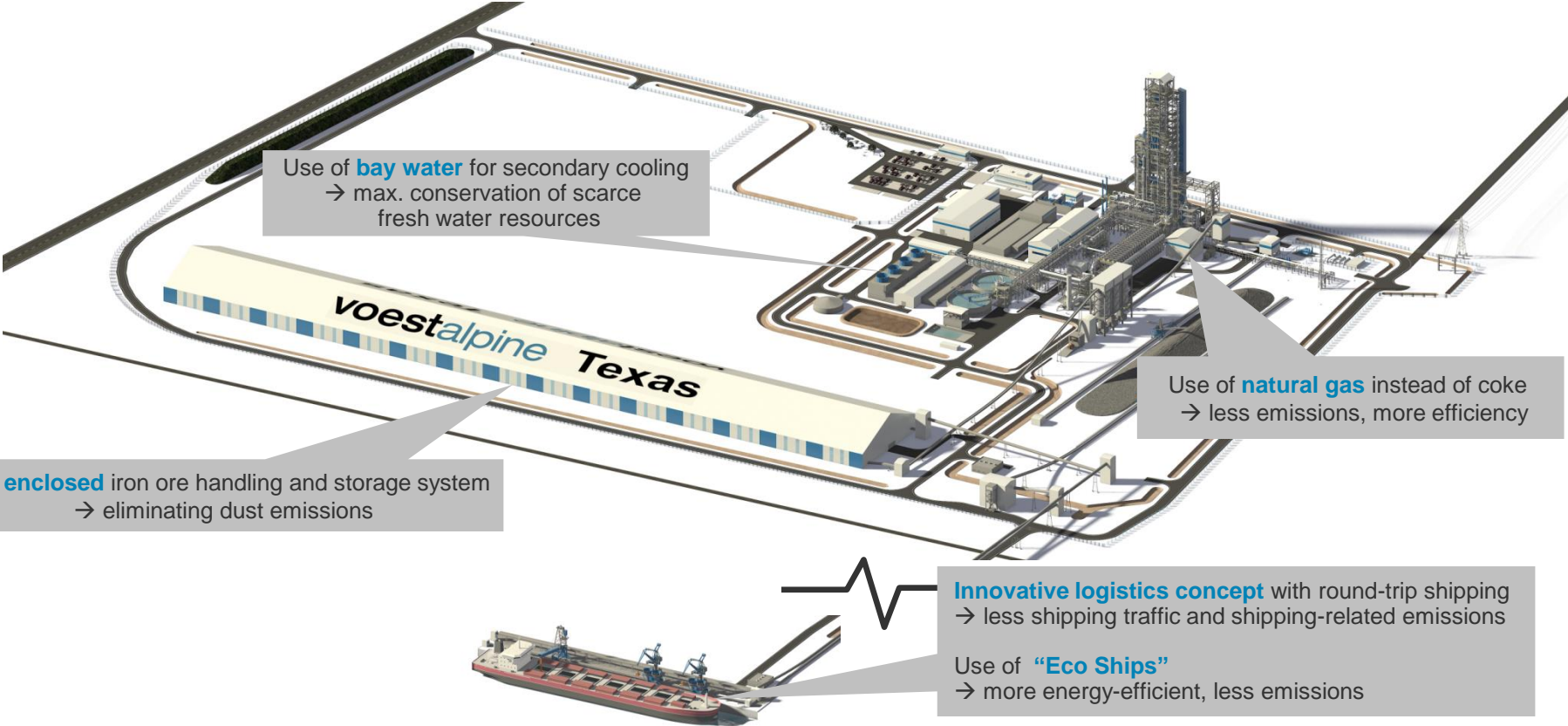
## Facts and figures

The project is voestalpine's largest foreign investment to date

- CAPEX: EUR 550 million / USD 740 million
- New jobs: 150
- Construction jobs: 1.000
- Planned start of production: end of 2015
  
- Structural steel: 20,000 tons
- Mechanical equipment: 13,000 tons
- Reinforced concrete: 1.6 Mio. cu.ft./45,307 m<sup>3</sup>
- Roads: 540,000 sq.ft./50,168 m<sup>2</sup>



# Direct reduction plant – **New environmental benchmark**



Use of **bay water** for secondary cooling  
→ max. conservation of scarce fresh water resources

**Fully enclosed** iron ore handling and storage system  
→ eliminating dust emissions

Use of **natural gas** instead of coke  
→ less emissions, more efficiency

**Innovative logistics concept** with round-trip shipping  
→ less shipping traffic and shipping-related emissions

Use of **“Eco Ships”**  
→ more energy-efficient, less emissions

# Direct reduction plant – voestalpine Texas LLC

## The green alternative to a coke-fed blast furnace

A direct reduced iron (DRI) plant uses natural gas, which is more environmentally friendly



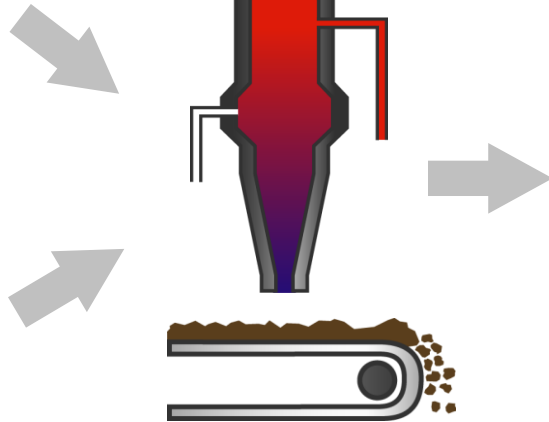
**Iron ore pellets**

3 million metric tons p.a.  
67% Fe content



**Natural Gas**

22 million MMBTU p.a.



**HBI**

Hot Briquetted Iron  
2 million metric tons p.a.

91% Fe content



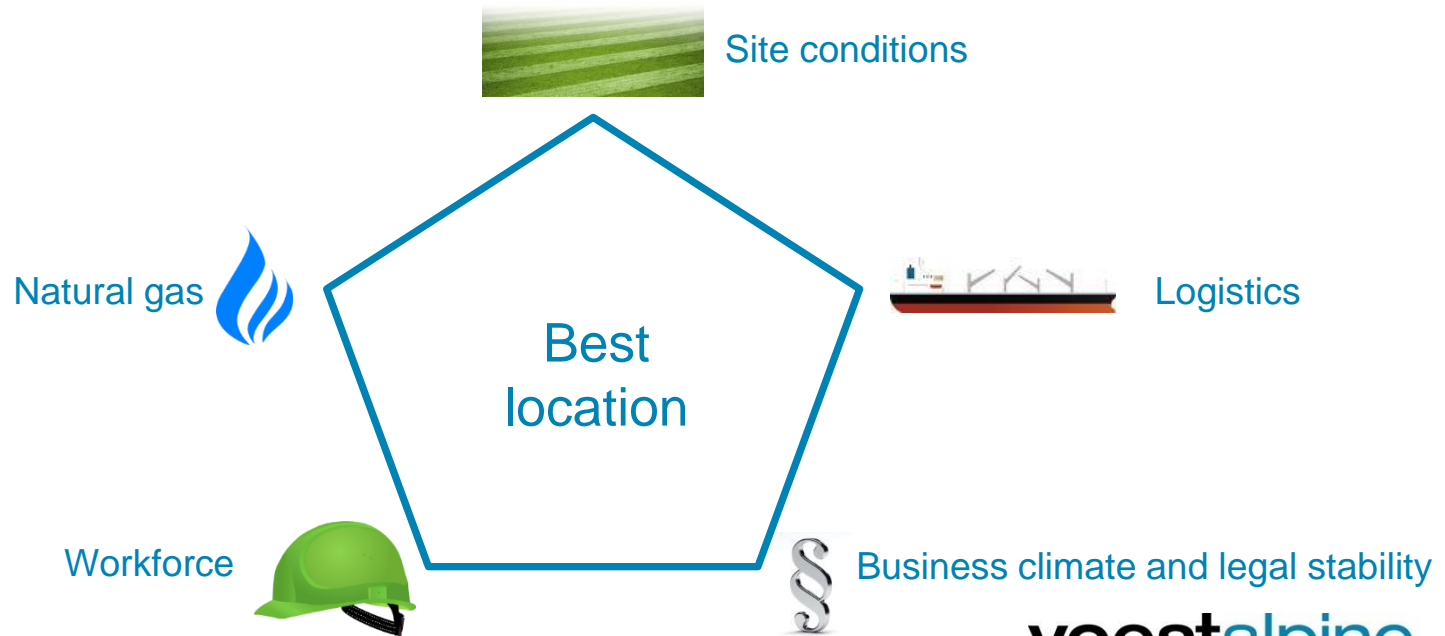
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# Direct reduction plant – voestalpine Texas LLC

## Criteria for a long-term business model

voestalpine has chosen the most sustainable location instead of the cheapest one



# Direct reduction plant – voestalpine Texas LLC

## Location Factors – Natural Gas



Competitive natural gas prices and sustainable supply create long-term opportunities for Texas

- 4-year average natural gas price **USA** (Henry Hub): ~ **USD 3.70 (EUR 2.68)** per MMBTU\*
- 4-year average natural gas price **Europe**: ~ **USD 10.00 (EUR 7.24)** pro MMBTU\*
- Gas requirement per ton HBI: 11 MMBTU\*

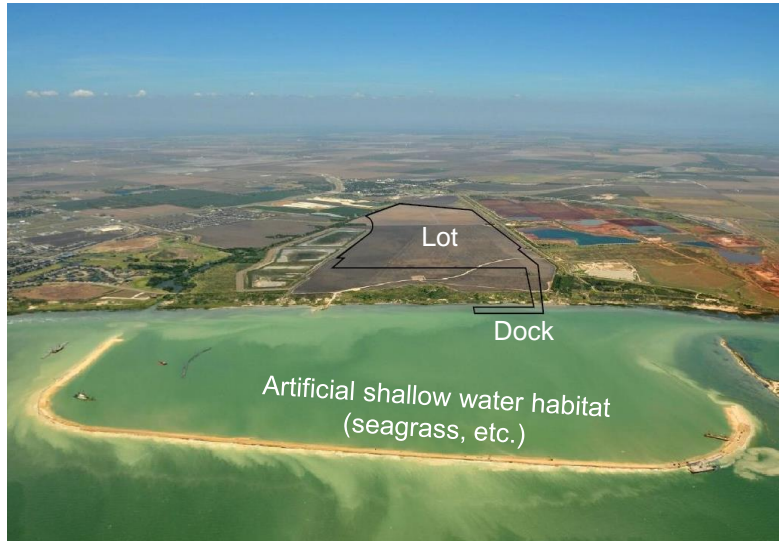
\* MMBTU = million British thermal units

# Direct reduction plant – voestalpine Texas LLC

## Location factors – Site conditions



The 'La Quinta' site: unique location and favorable conditions



- Size: 470 acres (approx. 2 km<sup>2</sup>)
- Owner: Port of Corpus Christi Authority
- Lease term: 50 years + 2 x 15 years
- Loading dock (45 foot draft)
- Direct access to shipping channel/Gulf of Mexico
- Natural gas, power, water on site
- Triple protection from storm surges

Port of Corpus Christi Authority is the optimal long-term strategic partner



# Direct reduction plant – voestalpine Texas LLC

## Location Factors – Workforce



- **We need** 150 qualified, motivated, and solution-oriented employees
- **We offer** attractive careers with competitive compensation packages
- **We benefit** from an industry-experienced and well trained labor market
- **We partner** with **local and regional educational institutions** (Texas A&M University, Del Mar College, Crafts Training Center) to develop skill sets
- **We create** indirect jobs in a ratio of 1 (voestalpine) : 4 (local businesses)
- **We source** locally and maximize local content to create quality jobs in the community



South Texas appreciates stable jobs created by manufacturing industry

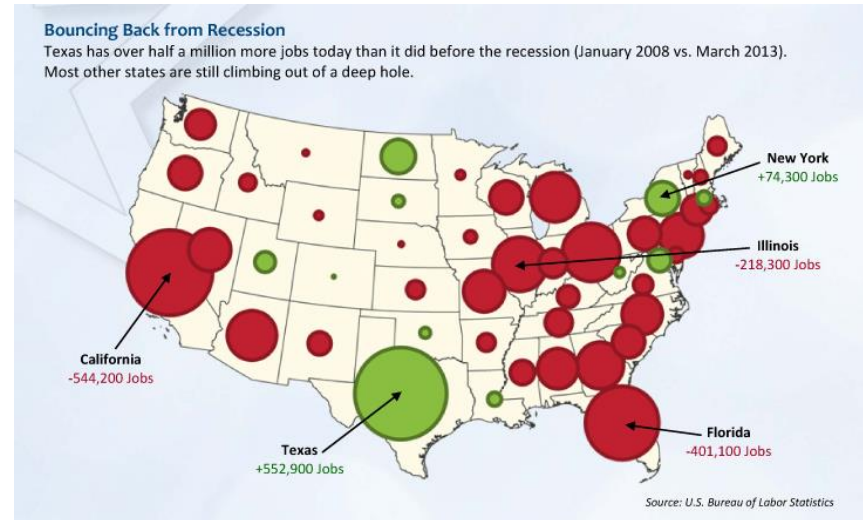


# Direct reduction plant – voestalpine Texas LLC

## Location factors – Business climate



Texas combines legal stability, affordable energy prices with a positive attitude towards industry





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[www.voestalpine.com](http://www.voestalpine.com)

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