

Major contract for voestalpine HBI produced in Texas

In April, ground was broken for the voestalpine Group's direct reduction plant in Corpus Christi, Texas (USA). This was preceded by 15 months of extensive environmental impact assessments, all of which were successfully completed. In the meantime, construction is on schedule. After signing a memorandum of understanding last year with the largest Mexican steel manufacturer, Altos Hornos de México (AHMSA), the Group has now entered into the final supply agreement for 400,000 tons (plus another optional 250,000 tons) of hot briquetted iron (HBI) produced in Texas. Interest on the market in high-quality sponge iron continues to be high: negotiations, some at an advanced stage, are currently underway with a series of prodigious steel manufacturers to purchase voestalpine HBI.

Starting in 2016, this plant—at EUR 550 million (USD 743 million) the Group's largest ever foreign investment—will produce two million tons of hot briquetted iron (HBI) annually, a pre-material for the production of high-quality steel. The plant has direct deep-sea access to the Gulf of Mexico and will have about 150 employees. Around half of the environmentally-friendly pre-material will be used at voestalpine production sites in Austria, contributing to the continuing improvement of cost structure and supporting voestalpine's quality strategy. The other half will be sold to long-term partners in the sophisticated steel production segment. AHMSA has now contractually secured several hundred thousand tons of sponge iron, which is very much in demand. "The execution of this agreement is the beginning of a long-term business relationship. We are delighted to be part of AHMSA's quality offensive as a key supplier," says Wolfgang Eder, Chairman of the Management Board and CEO of voestalpine AG.

The Mexican steel manufacturer who is based in Monclóva, near Monterrey, will be using the HBI in a recently installed electric arc furnace, thus enabling production of higher-quality steel grades. It will also make AHMSA independent of the volatile Mexican scrap market. In addition to the high quality of voestalpine's HBI, the geographical proximity and the favorable logistics concept were the primary factors favoring this business relationship. The first deliveries will begin directly after the scheduled launch of operations of the direct reduction plant in early 2016. Long before completion of the plant, a long-term supply agreement for a significant quantity of the available HBI was executed.

Currently, negotiations are ongoing with other interested companies in the NAFTA region and in Europe. "Some of the negotiations have made significant progress, and we are confident that the plant's capacity will be fully utilized from the very beginning," Eder confirms. "In addition to the use of HBI internally within the voestalpine Group, it was a top priority for us to find reliable, long-term partners interested in an ongoing supply of high-quality HBI. This not only contributes to the stability of our business model, but also creates a win-win situation for customers and voestalpine alike," Eder notes.

voestalpine AG

The voestalpine Group

The voestalpine Group is a steel-based technology and capital goods group that operates worldwide. With around 500 Group companies and locations in more than 50 countries and on all five continents, the Group has been listed on the Vienna Stock Exchange since 1995. With its top-quality products, the Group is one of the leading partners to the automotive and consumer goods industries in Europe and to the oil and gas industries worldwide. The voestalpine Group is also the world market leader in turnout technology, special rails, tool steel, and special sections. In the business year 2013/14, the voestalpine Group reported revenue of EUR 11.2 billion and an operating result (EBITDA) of EUR 1.4 billion; it had around 48,100 employees worldwide.

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