Media information

December 19, 2012

Green light for voestalpine Group Strategy 2020

The exchange-listed voestalpine Group has set ambitious goals up to the year 2020. With a clear focus on the customer segments Mobility and Energy and on non-European growth markets, and with profitability remaining at virtually at the same level compared to the last few years, sales are projected to soar from the most recent EUR 12.1 billion to approximately EUR 20 billion. The Group is investing in new locations and acquisitions, along with the technological expansion of existing plants and in extending the value creation chain consistently, all the way to the end consumer. Over the long term, this approach will safeguard the top positions held in Europe and the locations in Austria Group Strategy 2020 was officially approved by the Supervisory Board yesterday following an intensive internal development process.

With the targeted EUR 20 billion in revenue, a targeted average EBITDA margin of 14%, and an EBIT margin of 9%, the voestalpine Group intends to continue resolutely on the path of increasing value through growth, a path that it struck with tremendous success since it became listed on the stock exchange in 1995. “Companies that remain successful over a long period of time are those that set themselves apart through technology, quality, and specialization. We will push this focus even more in the run-up to 2020. In other words, we will make every effort to continue expanding our leading position in regard to market, technology, quality, and earnings. In comparison to the conventional steel sector, we will further increase the processing segment, and we will advance our focus on growth industries - like mobility and energy - and on globalization,” says Wolfgang Eder, Chairman of the Management Board and CEO of voestalpine AG. Since the 2001/02 business year, the Group’s average growth rate equaled 13.5% per year. The target level of EUR 20 billion by 2020 would mean an average growth rate of 5.7% per year; nonetheless, achieving this growth rate is contingent upon the global economic trend returning to normal.

Group strives for leading position in the demanding mobility and energy segments

“Even in the future, we will produce neither automobiles nor power plants but we will engineer and bring to market an increasing number of components, parts and prefabricated parts that meet the highest standards, primarily for the mobility and energy industries, but also for other industry segments. Steel consistently remains the sole material basis used in post-processing, but in the future, alternative materials will also be used more intensively. There will be no portfolio expansion into activities previously conducted outside the voestalpine Group. Over the next ten years, the Group intends to target a 70% share of revenues in the declared growth industries, energy and mobility, whose share of revenues - even over the past few years - has consistently risen to roughly 60%.

In connection with strategy formulation, the Supervisory Board - in the interest of facilitating the “variabilization” of costs - essentially granted its approval for a project to construct a direct reduction plant in North America. By doing so, the Group’s European steel production sites should be able to gain access to cost-effective and environmentally sound pre-materials on an HBI-/DRI-basis (hot briquetted iron and direct reduced iron or “sponge iron”). In this manner, the Group is reinforcing the competitive power of the existing steel production sites over the long term.

Share of revenue outside of Europe from EUR 3 billion to EUR 9 billion by 2020

The long-term growth scenario envisions a gradual reduction in Europe's share in favor of global markets. "We will experience rapid growth, primarily in southeast Asia, including China, in South America, and in niche segments in the USA and Canada as well. In Europe, it is more a matter of securing our current position over the long term." But even over the next five, six years, we will expand our non-European share of revenues by approximately 40%," explains Eder. Over the long term, the Group is striving for a balanced revenue ratio between Europe and the rest of the world. Currently, the share of revenue from Europe remains in excess of 70%. The industrialized nations of the EU, with their demanding customers, continue to form the challenging basis of innovation for the Group; however, in contrast to Asia and the Americas, they will no longer be the primary drivers of growth.

No new steel capacities; in the future, the processing segment will comprise 75%

"In the future, the voestalpine Group will primarily grow by continuing to intensify value creation vis-à-vis the customers in the uppermost technology and quality segments," Eder emphasizes. The three processing divisions - Special Steel, Metal Engineering, and Metal Forming - will increase their sales over the long term by an order of magnitude of 50% to 70% each; the Steel Division, by contrast, will "only" boost sales by roughly 30%, from EUR 3.5 billion to a good EUR 5 billion. Indeed, ten years ago the steel segment's share of the total revenue was still hovering at 55%, but since that time, the ratio has shifted from 70 to 30 in favor of the less cyclical processing segment. "Over the long term, we shall strive for a processing segment that comprises about 75% of revenue," states Eder. The Group will retain its focus on quality, technology, and cost leadership in the steel sector - the decisive material basis for the Group.

Ambitious growth in tough times

The crisis has also left its marks on the voestalpine Group. Still, this difficult phase was used to optimize the organization, once again in a decisive manner, both in terms of costs and customers - in short, faster, efficient, flexible. Neither research and development nor training and continuing education were spared. The innovative power that became even stronger, despite the global crisis, enabled the engineering of premium products, like high-tensile strength steels in automotive engineering ("phs-ultraform"), the expansion of global leadership in tool steel, the production of acid gas-resistant deep-sea pipelines, high-speed rails and switches, which are heavily in demand worldwide, and the development of new thread designs in the oil and gas pipe industry. In the process, the steady partnership with a majority of customers, which has evolved over five or even six decades, has had a reinforcing effect on the share price.

The voestalpine Group

The voestalpine Group is a steelmaking, processing, and technology group that operates worldwide and manufactures, processes and develops high-quality steel products. With 500 production and sales companies in more than 50 countries on five continents, the Group has been listed on the Vienna Stock Exchange since 1995. With its top-quality flat steel products, the Group is one of the leading partners to the automotive and domestic-appliance industries in Europe and to the oil and gas industries worldwide. The voestalpine Group is also the world market leader in railway switch technology, special rails, tool steel, and special sections. In the 2011/12 business year, the voestalpine Group reported revenue of more than EUR 12 billion and an operating result (EBITDA) of EUR 1.3 billion. It staffs roughly 46,500 employees worldwide.

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