



Two Sprout-Matador fish feed extrusion lines at Dana Feed A/S, Denmark, a member of the Provimi group of companies.



Feed Technology

Business Area

Managers:

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Profile

The Feed Technology Business Area is one of the world market leaders in developing and building systems, machines, and processes for the industrial production of animal feed (mixed feed, pet food, and fish feed). This comprises complete feed mill lines as well as unit equipment for grinding and mixing of raw material for feed production, expanding, pressing, extruding, cooling, vacuum coating, and drying.

The Business Area also supplies equipment and plants for industrial production of biofuel pellets, as well as pelleting systems for recycling industries.

Due to extensive innovations and continuous investments in R&D, the Business Area offers customized system solutions, including automation, for all aspects of feed manufacturing, as well as wood and waste pellet production.

The aftermarket business – spare and wear parts and service – forms an important portion of the activities of the Business Area. In the field of pellet mill dies and rolls, the Business Area is the clear global market leader.

The Feed Technology Business Area operates primarily through Sprout-Matador, Denmark; Andritz Inc., USA; and UMT, Netherlands. It has production facilities in Denmark, the USA, and the Netherlands.

In total, the Business Area is established with 14 proprietary sales offices and a number of service offices. In addition, it has a network of distributors and agents in many other countries of the world.

Market Development

In conjunction with the slight improvement in global economy, the global feed market underwent moderate growth in 2002. In the areas of conventional (mixed) feed and special feed (pet, fish and aquatic feed) there was satisfactory project activity overall, although with vast regional variations. Several projects were awarded in Northern and Eastern Europe, but Central Europe and South America were relatively weak in development.

The conventional feed industry invested in efficiency and flexibility of system technology. Rarely were there investments to increase the capacity of existing equipment.

There continued to be an overcapacity situation in the production of salmon feed, especially during the Second Half of the year. As a consequence, many projects were postponed into 2003. However, there is a general trend for manufacturing lines featuring especially large capacities.

In the area of biofuel production, the market activity has been high for wood pelleting equipment, with rising demand through the year in Northern and Eastern Europe and North America.

Moderate market
growth

Growing demand
for biofuel
pelleting plants

Business Development in 2002

The Sales and Earnings development of the Feed Technology Business Area was satisfactory. Despite the difficult market conditions, especially in North and South America, the Business Area succeeded in increasing its Sales slightly versus the previous year (108.4 MEUR, +1.3% compared to 107.0 MEUR in 2001).

Earnings progressed at an above-average rate. Due to restructuring measures that had been implemented at production sites in North America and England, as well as the successful integration of UMT, Earnings and profitability (EBITDA margin) clearly improved compared to the previous year. EBITDA increased 29.8% to 6.1 MEUR (2001: 4.7 MEUR), profitability expressed as EBITDA margin reached 5.6% (4.4%). The most marked Earnings increase was achieved by the UMT Group purchased in 2000.

**Earnings
progressed
favorably due to
successful
restructuring**

Comprehensive restructuring will continue into 2003, with the goal of optimizing production capacity. This should lead to increased competitiveness throughout 2003 and beyond.

During the year under review, several process lines for new pet food and aquatic feed plants were handed over and successfully commissioned, of which the following is worth mentioning: a complete extrusion line comprising the Multimill 1400 fine grinder, the Ex1250 extruder including the ECS™ expansion control system, the CZD Multizone dryer, and the VAC vacuum coater, which was successfully placed in operation in Provimi's new fish feed factory in Alitec, Chile.

Key figures for the Feed Technology Business Area according to IAS

MEUR	2002	2001	2000	1999
Sales	108.4	107.0	67.8	59.6
Order Intake	104.7	112.6	70.7	53.5
Order Backlog 31.12.	23.5	27.6	14.3	11.5
EBITDA	6.1	4.7	4.6	0.6
EBITDA margin	5.6%	4.4%	6.8%	1.0%
EBITA	4.2	0.9	2.4	-1.4
EBITA margin	3.9%	0.9%	3.5%	n.sp.
Capital investments	5.4	6.7	0.8	1.7
Employees	609	676	412	408

Orders for wood pelleting plants

Major Orders

- The most significant orders for the Business Area were four large feed mill rebuild and expansion projects in the UK, Scandinavia, and Eastern Europe. In addition Andritz will deliver two full process lines for highest capacities including all key equipment, the liquid addition units, and controls for a new feed plant project in Denmark.

- From the aquatic feed sector, a large order for a Norwegian salmon feed project was booked.

- Orders for several medium-capacity extrusion lines were received from Asia.

- Several large orders were won from the wood pelleting sector in North America and Northern and Eastern Europe. A large order for six wood pelleting lines received from Skellefteå Kraft in Sweden helped to consolidate the very strong position of the Andritz Feed Technology Business Area in this market segment.

Research and Development

The research and development activities of the Business Area in 2002 were focused on completion of the intensive new product development programs which had been started over the past three years. All products and processes – a new generation of pellet mills, hammermills, and extrusion line equipment, including advanced control systems – have successfully been placed in operation in several installations during the year.

Smaller R&D projects targeting increased process flexibility and process data evaluation and communication were initiated for completion during the First Half of 2003.

The extrusion test center, which opened last year, has been used by several large international pet food and aquatic feed producers.

Sprout-Matador pellet mills offer superior pelleting performance and quality as well as optimized machine control.

