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## The Andritz Group

Capital Market Days 2008, Austria

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### Disclaimer

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Certain statements contained in this presentation constitute 'forward-looking statements.' These statements, which contain the words 'believe', 'intend', 'expect' and words of similar meaning, reflect management's beliefs and expectations and are subject to risks and uncertainties that may cause actual results to differ materially.

As a result, readers are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to publicly announce the result of any revisions to the forward-looking statements made herein, except where it would be required to do so under applicable law.

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## UPDATE ON GOALS OF PAST CAPITAL MARKET DAYS

Growth development and Andritz's markets

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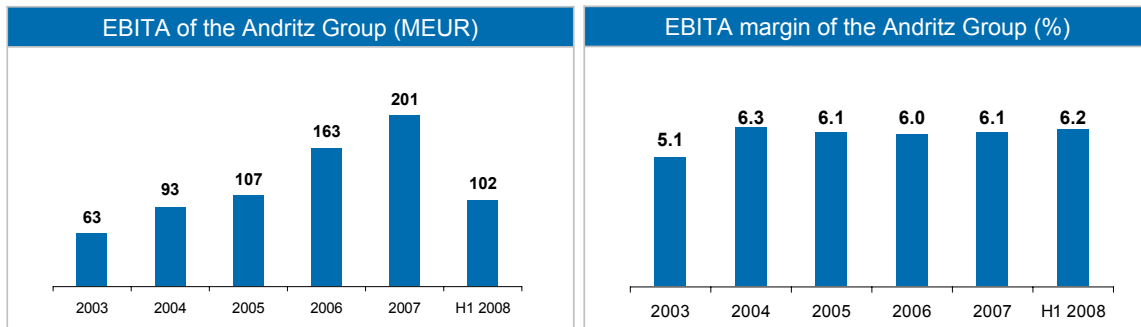
## Review on targets of past Capital Market Days

Capital Market Days 2003 + 2004	<ul style="list-style-type: none"> <li>Increase profitability (EBITDA) of Feed Technology Business Area (FT) from 4.4% in 2001 to 10% in 2004.</li> </ul>	Target reached.	✓
	<ul style="list-style-type: none"> <li>Become a 2 billion Euro company by 2007.</li> </ul>	Target reached.	✓
Capital Market Days 2006	<ul style="list-style-type: none"> <li>Increase of sales towards 3 bn. Euros in 2007.</li> </ul>	Target reached.	✓
	<ul style="list-style-type: none"> <li>Reach EBITA margin of 7% by 2008.</li> </ul>	Target not yet reached.	✗
Capital Market Days 2007	<ul style="list-style-type: none"> <li>Increase dividend payout ratio to 40% for financial year 2007.</li> </ul>	Target reached.	✓
	<ul style="list-style-type: none"> <li>Reach EBITA margin of 7% by 2008.</li> </ul>	Target not yet reached.	✗



## Update on EBITA margin target of 7%

- Margin development in recent years mainly influenced by acquisition of VA TECH HYDRO in 2006 and fast growth of the capital business:
  - > Excluding VA TECH HYDRO, EBITA margin in 2007 would have been 6.8%.
  - > Due to the strong growth of the capital business, service sales as % of total Group sales declined from 26.5% in 2004 to 23.8% in 2007, thus impacting margin on the down side.



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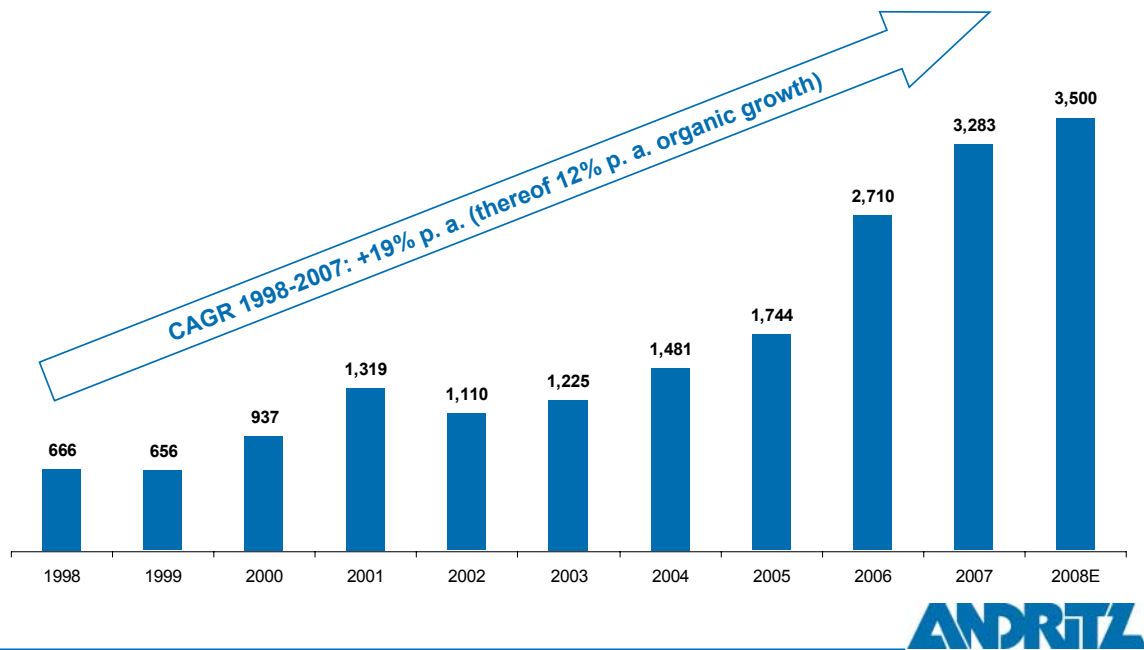
Summary



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## Continuation of Group growth

For 2008, Group sales are expected to increase to 3.5 bn Euro.

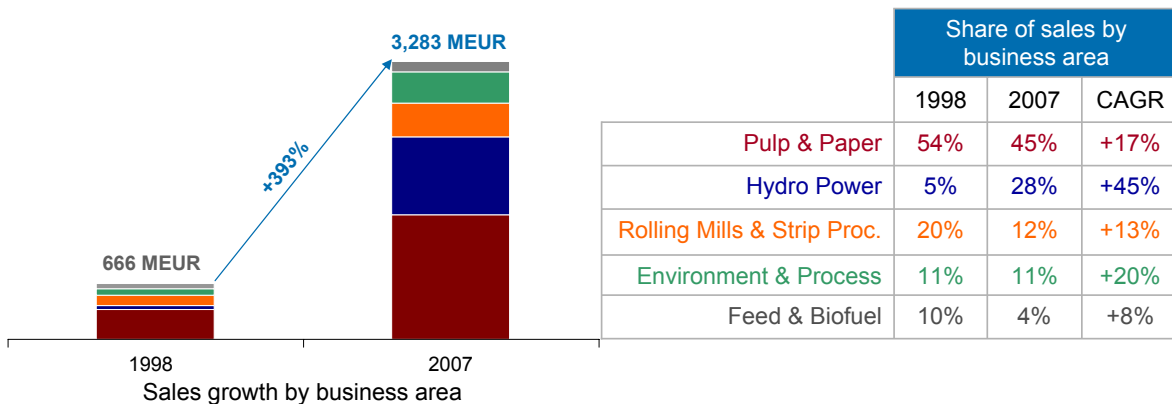


Capital Market Days 2008\_The Andritz Group\_Wolfgang Leitner

Slide No. 7

## Sales growth in all business areas

- Strong sales growth in practically all business areas based on organic expansion and acquisitions.
- Strongest growth came from Hydro Power.



Capital Market Days 2008\_The Andritz Group\_Wolfgang Leitner

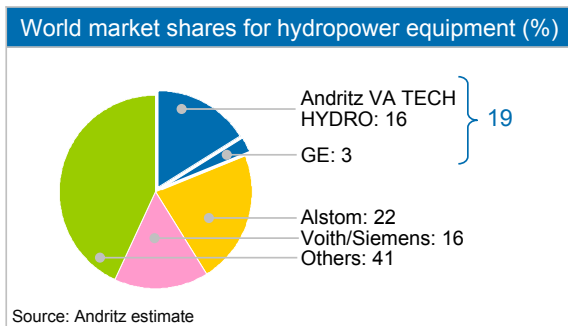
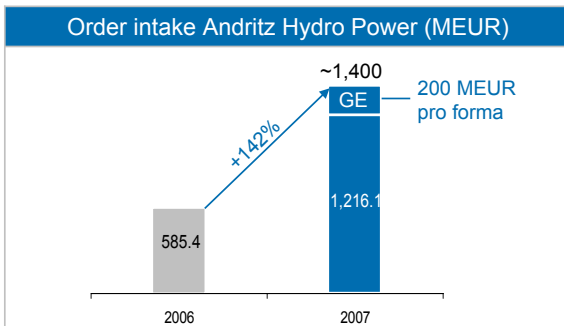
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## Acquisition of assets of GE's Hydro business

- Acquisition of **GE Energy's hydropower technology** (turbines and generators) and specialized generator component production facilities in Canada as well as **GE Energy's majority interest in the GEHI (General Electric Hydro Inepar) joint venture** in Brazil.
- In total, ~400 employees added.
- Locations in Araraquara, Campinas, both Brazil; Tampere, Finland; and Kristinehamn, Sweden.
- GE's Hydro business further complements the existing product portfolio of Andritz Hydro Power in the field of large Francis-type turbines and generators with an output capacity of 400 MW and more.
- Increased presence of Andritz Hydro Power in North America, South America, and Northern Europe.

### Andritz Hydro Power – strong increase in business volume and market position strengthened:



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## Growth through acquisitions 2008 (I)



- Manufacturing of high-level components for turbo-generators and gas turbines for renowned international industry groups.
- Manufacturing also for Andritz Pulp & Paper and Hydro Power.
- Annual sales of ~20 MEUR.
- ~370 employees.



- One of the world's leading companies for furnaces and heat treatment plants.
- ~40 employees.
- Annual sales: originally planned 40-50 MEUR, currently substantially higher.

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## Growth through acquisitions 2008 (II)

September 2008: acquisition of Kufferath, Germany



- Attractive addition to Pulp & Paper service; will support Andritz's effort to strengthen position in tissue and board machines.
- Kufferath will benefit from 'captive' Andritz pulp machine business.
- Need to rebuild from bankruptcy, expect 40 MEUR sales level in 2010.
- ~550 employees.

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## Business areas: market situation 2008 + expectations 2009

- Consequences of current financial turmoil on global economy not yet clear.
- Most Andritz business areas are expected to be relatively resistant against an economic downturn.

	Market in 2008	Expectations for 2009
Pulp & Paper	Neutral	Neutral
Hydro Power	Very good	Very good
Metals*	(Very) good	Neutral
Environment & Process	Good	Good
Feed & Biofuel	Good	Good

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## FOCUS AREAS 2009

- **Further increase presence in emerging markets**

- Manage operations
- Further organic and acquisitive growth

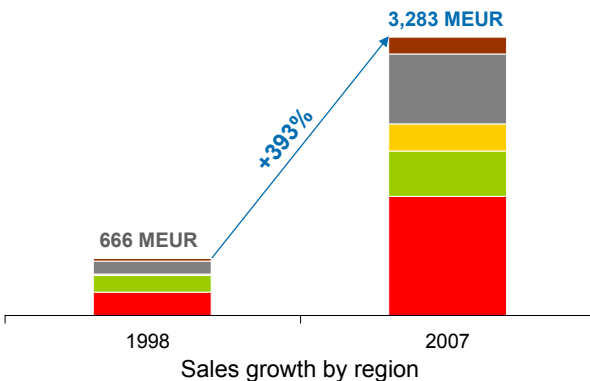
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## Well balanced geographical presence

Emerging markets account for ~40% of Group sales.



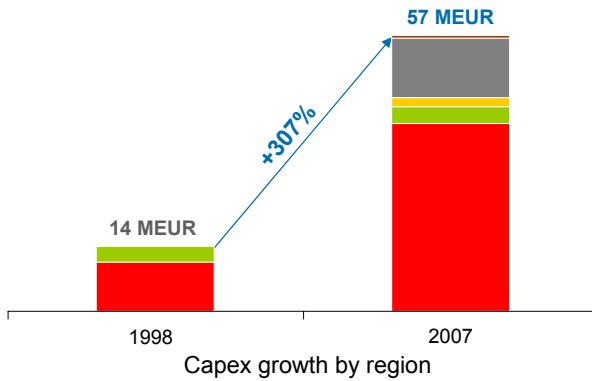
	Share of sales by region		
	1998	2007	CAGR
Europe	42%	43%	+20%
North America	29%	16%	+12%
South America	2%	10%	+45%
Asia	24%	25%	+21%
ROW	3%	6%	+28%





## Increase of capex especially in Asia

- Relatively stable capex development during the last decade of ~1.5-2% of total sales.
- Increased capex in Asia.



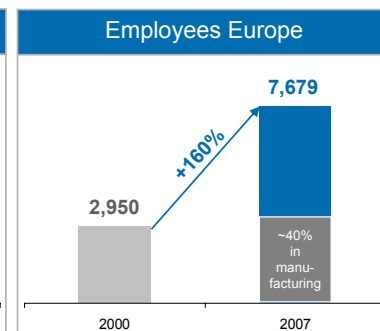
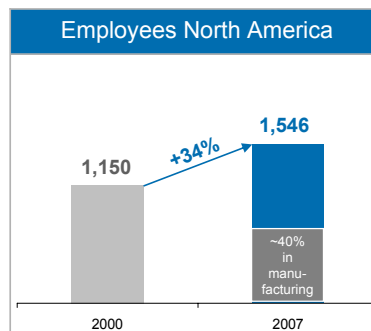
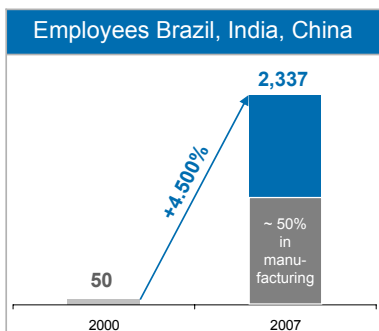
	Capex by region	
	1998	2007
Europe	75%	68%
North America	25%	6%
South America	0%	4%
Asia	0%	21%
ROW	0%	1%

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## New jobs in Europe as well as in emerging markets

- Strong increase in number of employees in emerging markets to be close to customers and to secure access to low cost production.
- Job creations in Europe, mainly high-skilled workers and engineers.

	Employees by region	
	2000	2007
Europe	70%	64%
North America	27%	13%
South America	0.5%	7%
Asia	2%	10%
ROW	0.5%	6%

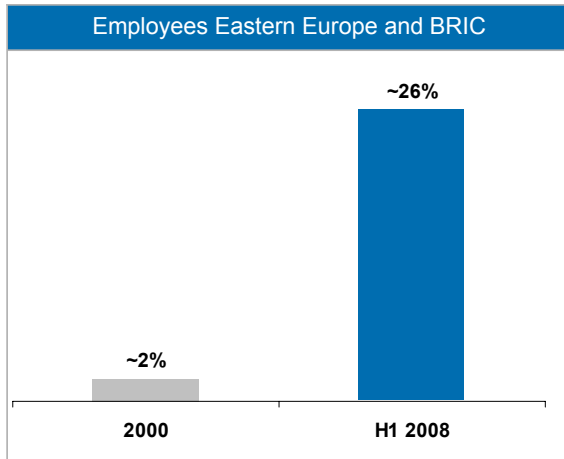


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## Employees: increase in low cost countries

Already 26% of all Andritz employees in Eastern Europe and BRIC countries.



Employees Eastern Europe H1 2008: 600

Employees BRIC countries H1 2008:

- China: 1,200
- Brazil: 1,000
- India: 700

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## Increase presence in emerging markets

### Strategic goals:

- Andritz to further enhance its strong global reach by establishment of local production and service sites in fast growing emerging markets, especially in China, India, and South America.
- Increase sourcing from local sub-suppliers.
- Low cost manufacturing.
- Low cost sourcing.



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  - **Manage operations**
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# Manage operations

## Production & sourcing

- Absorb potential volume decline by
  - > reduced outsourcing and flexible temporary staff
  - > capacity adjustments.
- Pro-active procurement strategy.

## Standardization

- Cost reduction through engineering platforms and center of excellence per product line.
- Design to cost, serviceability, and quality.

## Project execution

- Clear focus on better financial project execution.
- Implementation of dedicated project execution teams.



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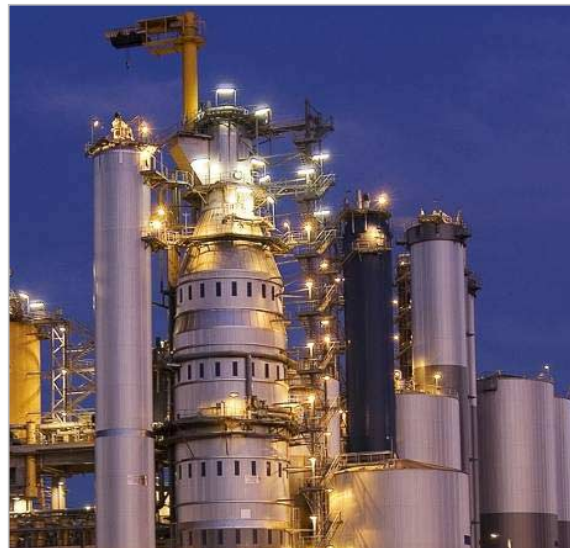


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# Further complementary acquisitions

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- Continuation of complementary acquisition strategy to broaden Andritz's position in all business areas.
- Focus on service products.
- No diversification.



Fray Bentos, Uruguay is the first pulp mill in the world to have all production systems as well as the entire maintenance concept and maintenance services provided by one supplier – Andritz.

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## Well balanced market/customer mix

- Serving industries with long-term growing markets.
- Focus on fast growing segments: renewable energy products, stainless steel, tissue paper.
  - > Over 40% of Andritz's sales are derived from renewable energy products:



### PULP & PAPER

- Recovery boilers in pulp mills generate net surplus of electricity from biomass.
- Wood gasification.



### HYDRO POWER

- Water turbines and generators.



### ENVIRONMENT & PROCESS

- Conversion of sludge into granulate, which can be used as a substitute for fossil fuels.



### FEED & BIOFUEL

- Systems for production of biofuel pellets.

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## Organic expansion through R&D

- Strong R&D: ~3% of total sales, ~300 employees worldwide.
- Focus on R&D to stay the technologically preferred supplier in all business areas.
- Focus on technologies that help Andritz's customers to reach their goals with respect to environmental impact, sustainability, and operational costs:
  - > Enable pulp mills to develop into green electricity producers.
  - > Use recently acquired technology to enter large turbine market.
  - > Offer innovative high-quality downstream technology to steel industry (coating, annealing, etc.).
  - > Add efficient drying technologies to Andritz's biomass product scope.



R&D cooperation with UPM

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## Successful entry into biomass boiler business

- In 2006, decision to expand product portfolio with biomass power boilers based on fluidized bed technology.
- First biomass power boiler sold in Q1 2007, commissioning expected in November 2008.
- Rapid expansion of order intake for biomass power boilers; currently seven orders worth ~200 MEUR.



Biomass power boiler:  
turning biomass into green electricity.

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## Successful development of biomass equipment

### Environment & Process

- Inhouse development of belt drying systems to dry wood chips and sawdust for pellet production.
- First order to supply two biomass drying systems for sawdust to Pfeifer Heggenstaller, Germany.



Belt dryer for different  
sludges in Elgg, Switzerland.

### Feed & Biofuel

- Strong development of biomass/wood pelleting systems, having grown to over 30% of the business area's total sales in 2007.



Wood pelleting line for FRAM,  
USA; Andritz delivered 5  
lines with a total capacity  
of 130,000 tons per year.

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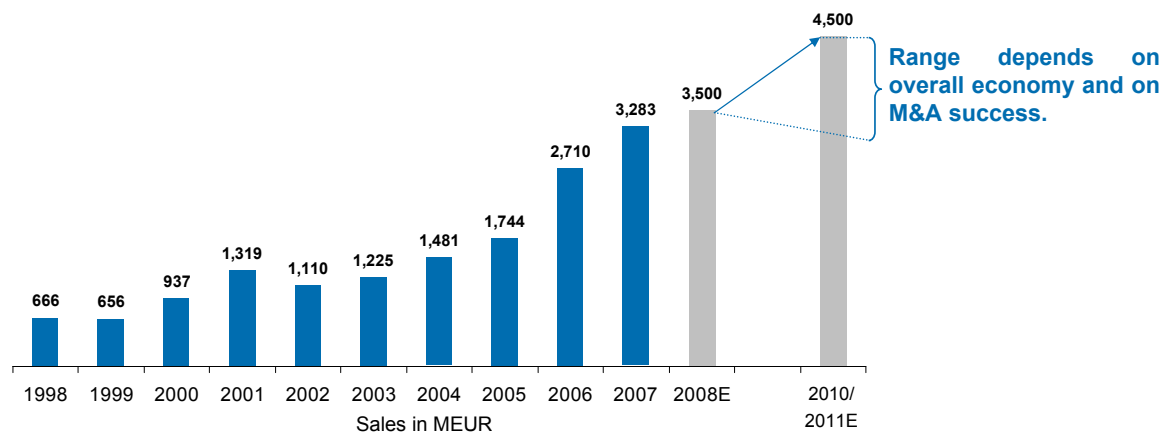
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## Sales target: 4.5 bn. EUR by 2010/2011

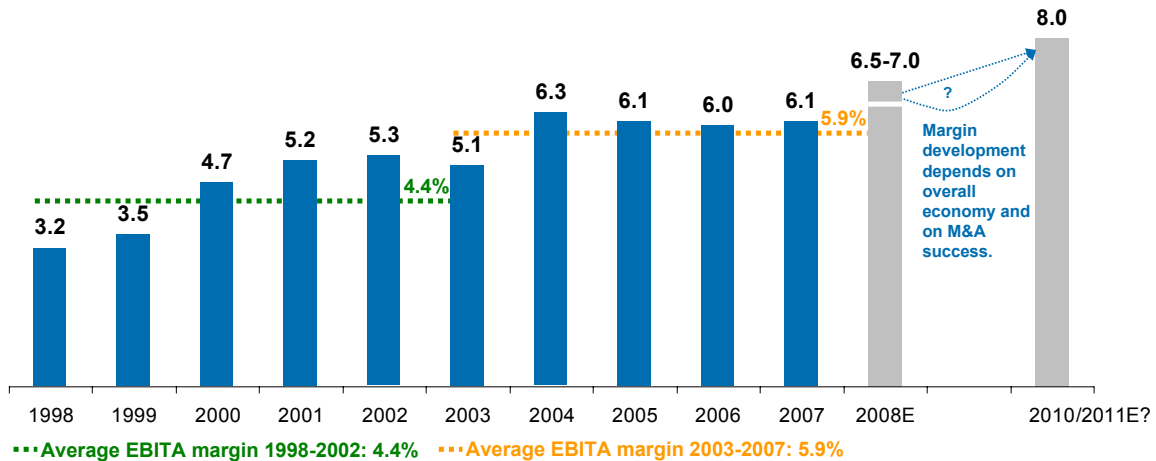
- Moderate downside risk.
- Weak overall economy means more M&A opportunities.



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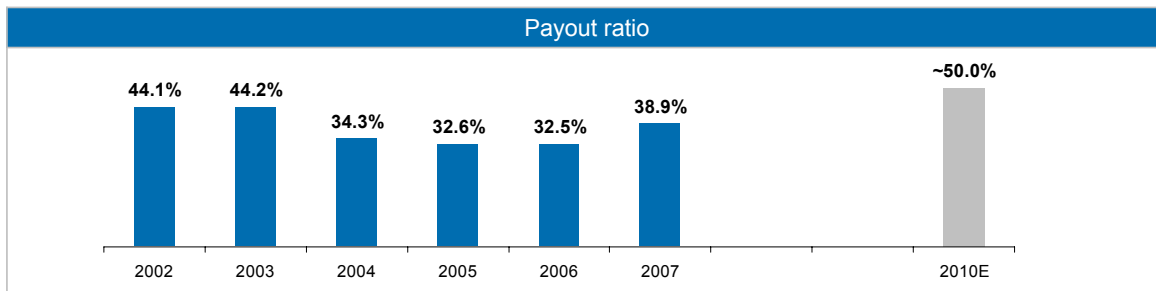
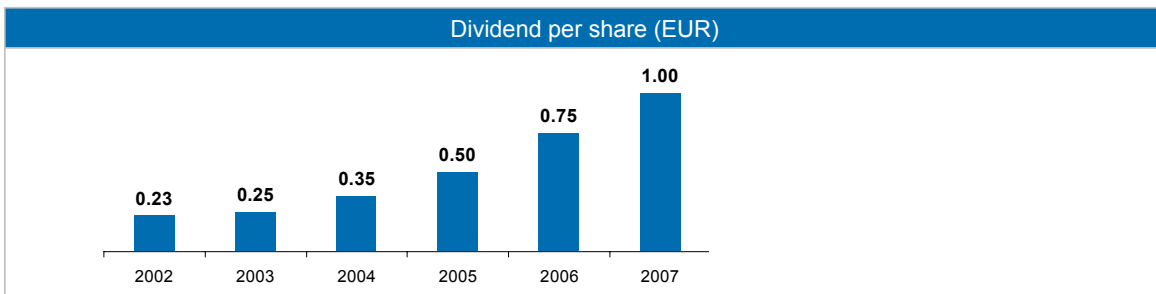
## EBITA margin target: 7% on a sustainable basis

- Average EBITA margin 1998-2002: 4.4%.
- Average EBITA margin 2003-2007: 5.9%.
- Target to have long-term sustainable EBITA margin of 7% over the cycle.



## Increase dividend payout ratio to ~50% by 2010

Goal to increase payout ratio steadily to ~50% by 2010.





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- Effect of financial turmoil on global economy not yet clear.
- Majority of Andritz's business segments should not be substantially impacted by general economic downturn.
- Goal to reach 4.5 bn EUR sales by 2010/2011, based on organic expansion and complementary acquisitions.
- Target to reach 7% EBITA margin on a sustainable basis over the cycle, based on volume growth and cost optimization.
- Target to reach payout ratio of ~50% by 2010.



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The logo for ANDRITZ, featuring the word "ANDRITZ" in a bold, blue, sans-serif font. The letters are three-dimensional with a slight shadow effect, giving them a metallic or industrial appearance. The logo is centered on the page.

**OUR VISION:**

**World market leader for high-tech production systems  
and services for pulp, paper, hydropower, steel,  
and other specialized industries.**

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