



# THE ANDRITZ GROUP

COMPANY PRESENTATION

JANUARY 2018

**ANDRITZ**

ENGINEERED SUCCESS

# CHAPTER OVERVIEW



## 01 ANDRITZ GROUP OVERVIEW

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## 02 BUSINESS AREAS: MARKET UPDATE

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## 03 OUTLOOK AND FINANCIAL TARGETS

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# THE ANDRITZ GROUP OVERVIEW



ANDRITZ is a globally leading supplier of plants, equipment, and services for hydropower stations, the pulp and paper industry, the metal-working and steel industries, and solid/liquid separation in the municipal and industrial sectors.

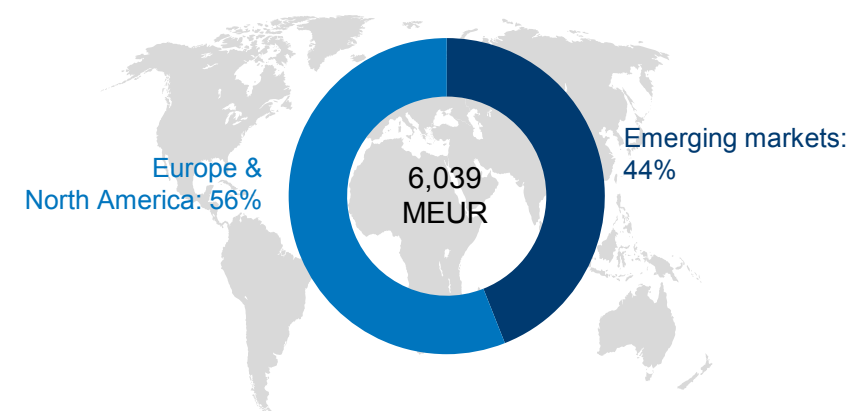
**HEADQUARTERS:** Graz, Austria

**GLOBAL PRESENCE:** over 250 production sites and service/sales companies worldwide

## Key financial figures Q1-Q3 2017 and 2016:

	UNIT*	Q1-Q3 2017	2016
Order intake	MEUR	4,112.4	5,568.8
Order backlog (as of end of period)	MEUR	6,650.8	6,789.2
Sales	MEUR	4,143.6	6,039.0
EBITA	MEUR	306.2	442.1
Net income (including non-controlling interests)	MEUR	191.4	274.8
Employees (as of end of period; without apprentices)	-	25,686	25,162

Sales by region 2016 (%)



	Q1-Q3 2017	2016
Europe	37%	35%
North America	22%	21%
China	15%	12%
Asia (without China)	12%	12%
South America	10%	15%
Africa, Australia	4%	5%

# COMPANY PROFILE



A global market leader with four strong business areas



## HYDRO



30

% order intake

### PRODUCT OFFERINGS

electromechanical equipment for hydropower plants (turbines, generators); pumps; turbo generators

## PULP & PAPER



35

% order intake

### PRODUCT OFFERINGS

equipment for production of all types of pulp, paper, tissue, and board; energy boilers

## METALS



25

% order intake

### PRODUCT OFFERINGS

presses for metal forming (Schuler); systems for production of stainless steel, carbon steel, and non-ferrous metal strip; industrial furnace plants

## SEPARATION



10

% order intake

### PRODUCT OFFERINGS

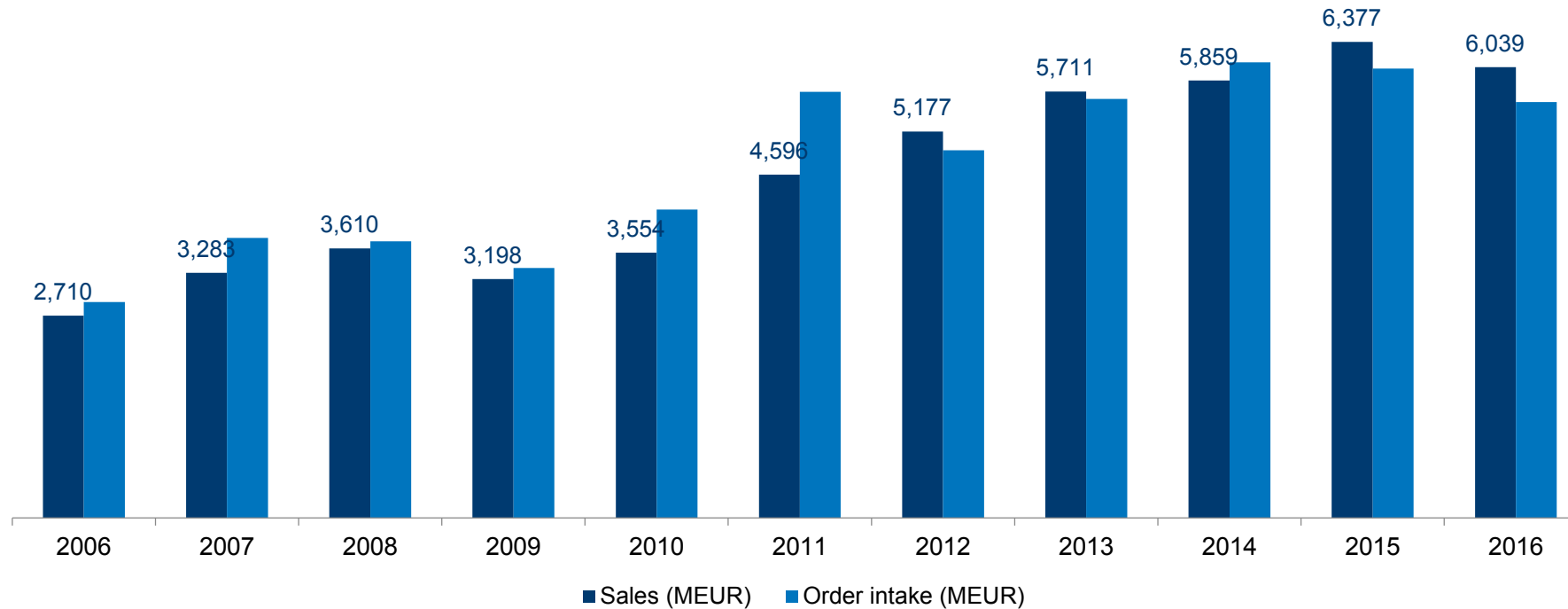
equipment for solid/liquid separation for municipalities and various industries; equipment for production of animal feed and biomass pellets

Note: figures above show the business areas long-term average share of the Group's total order intake.

# LONG-TERM GROWTH BASED ON ACQUISITIONS AND ORGANIC EXPANSION



Compound Annual Growth Rate (CAGR) of Group sales 2006-2016:  
+8% p.a. (thereof approximately half organic growth)



# STRENGTHENING OF MARKET POSITION BY ACQUISITIONS



Acquisitions by business area since 1990

HYDRO		PULP & PAPER		METALS		SEPARATION			
2006	VA TECH HYDRO	1990	Sprout-Bauer	2006	Pilão	1997	Sundwig	1992	TCW Engineering
2007	Tigép	1992	Durametal	2007	Bachofen + Meier	1998	Thermtec	1995	Jesma-Matador
2008	GE Hydro business	1994	Kone Wood	2007	Sindus	2000	Kohler	1996	Guinard
2010	GEHI (JV)	1998	Kvaerner Hymac	2008	Kufferath	2002	SELAS SAS Furnace Div.	2000	UMT
2010	Precision Machine	1999	Winberg	2009	Rollteck	2004	Kaiser	2002	3SYS
2010	Hammerfest Strøm (59%)	2000	Ahlstrom Machinery	2010	Rieter Perfojet	2005	Lynson	2004	Bird Machine
2010	Ritz	2000	Lamb Baling Line	2010	DMT/Biax	2008	Maerz	2004	NETZSCH Filtration
2011	Hemicycle Controls	2000	Voith Andritz Tissue (JV)	2011	AE&E Austria	2012	Bricmont	2004	Fluid Bed Systems
		2002	ABB Drying	2011	Iggesund Tools	2012	Soutec	2005	Lenser Filtration
		2003	IDEAS Simulation	2011	Tristar Industries	2013	Schuler (>95%)	2006	CONTEC Decanter
		2003	Acutest Oy	2011	Asselin-Thibeau	2013	FBB Engineering	2009	Delkor Capital Equipment
		2003	Fiedler	2012	AES	2014	Herr-Voss Stamco	2009	Frautech
		2004	EMS (JV)	2013	MeWa	2016	Yadon	2010	KMPT
		2005	Cybermetrics	2015	Euroslot	2016	AWEBA	2012	Gouda
		2005	Universal Dynamics Group	2016	SHW Casting Technologies	2017	Powerlase (51%)	2013	Shende Machinery
		2006	Küstern	2017	Paperchine			2016	ANBO
		2006	Carbona						

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# HYDRO: UNCHANGED CHALLENGING MARKET ENVIRONMENT



- **New hydropower plants**  
Some new projects in emerging markets, particularly in Asia, Africa and South America, are currently in the planning phase.
- **Pumps**  
Good project activity.
- **Modernizations/rehabilitations**  
Unchanged, difficult market conditions impacted by low electricity and energy prices, especially in Europe.
- **Competition**  
Stable competition at challenging level.



ANDRITZ will supply 27 vertical volute pumps for irrigation of Telangana, India.



# UPDATE ON HYDRO CAPACITY ADJUSTMENTS AND STRATEGY

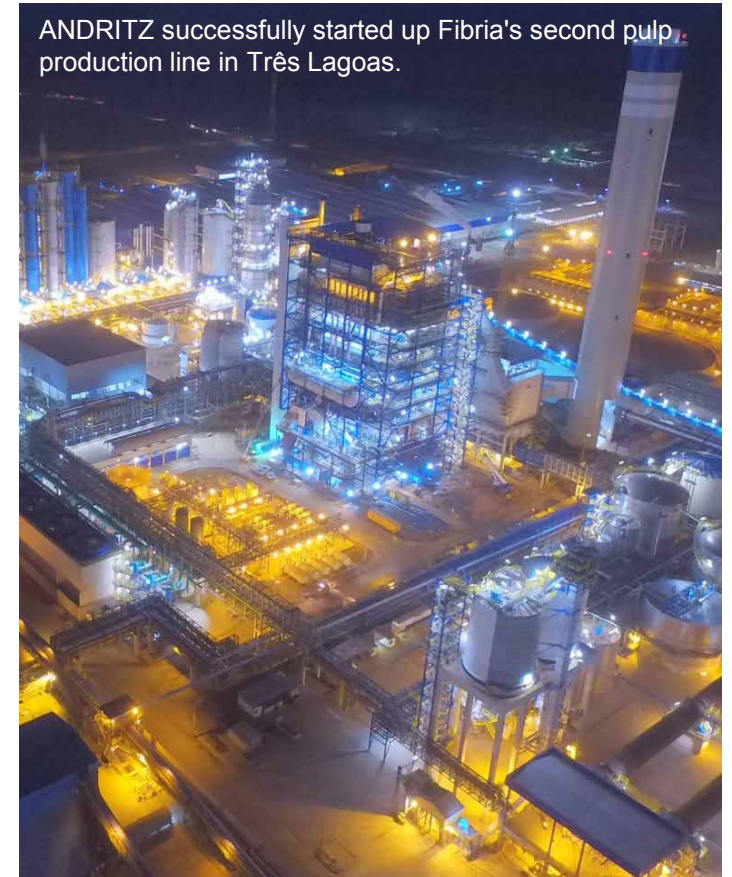


- Target is to increasingly shift resources to China and India to cover and serve growing Asian and Chinese markets locally
- In line with this strategy and based on overall low market activity several capacity adjustment measures have been taken during the last three years
- Reduction of total headcount by approximately 1,000 employees and almost 400 contracted personnel
  - Increase in China and India
  - Reduction in most other countries
- Reduction of direct labour hours by around 10%:
  - Increase India to become by far largest production facility
  - Reduction in other facilities, mainly Sweden, Spain, Switzerland, and Austria
- Additional restructuring highly likely in 2018 to further adjust capacities to market conditions

# PULP & PAPER: CONTINUED SOLID MARKET ENVIRONMENT



- **Pulp**  
Satisfactory project and investment activity, particularly for modernization of existing pulp mills. Some greenfield pulp mill projects in South America and Asia in evaluation.
- **Paper**  
Satisfactory market development for tissue and packaging equipment continued.
- **Competition**  
Stable competitive environment.



ANDRITZ successfully started up Fibria's second pulp production line in Três Lagoas.

# PULP & PAPER: GOOD PROJECT PIPELINE FOR GREENFIELD PULP MILLS



## USA:

Owner – project	Capacity/a*	Planned start-up
SUN BIO Arkansas	0.6	2020

## RUSSIA:

Owner – project	Capacity/a*	Planned start-up
Siberwood	0.9	2019
Segezha	1.3	2022 et seq.

## FINLAND:

Owner – project	Capacity/a*	Planned start-up
Finnpulp – Kuopio	1.2	2020
Kemijärvi	0.4	2020

## CHINA:

Owner – project	Capacity/a*	Planned start-up
Guangxi Jingui – Qinzhou City	1.2	2020

## MOZAMBIQUE:

Owner	Capacity/a*	Planned start-up
Portucel	1.5	2022 et seq.

## BRAZIL:

Owner – project	Capacity/a*	Planned start-up
Eldorado – Três Lagoas	2.3	2021**
Veracel – Eunápolis	1.8	2022 et seq.
Braxel – Peixes	2.0	2022 et seq.
CRPE Holding S.A – Ribas do Rio Pardo	2.2	2022 et seq.
Suzano – Imperatriz	1.3	2022 et seq.
Fibria – Aracruz	1.7	2022 et seq.
Eldorado - Três Lagoas	2.3	2022 et seq.
CMPC Brazil – Pelotas	1.8	2022 et seq.

## CHILE:

Owner – project	Capacity/a*	Planned start-up
Arauco – MAPA	1.6	2021

## URUGUAY:

Owner	Capacity/a*	Planned start-up
UPM	2.0	2022 et seq.

\* Annual capacity in million tons (may change over time); source: Pöyry. Capacity/year refers to added gross capacity (i.e. relevant as accessible market) without taking into account possible shut-downs of existing capacities

\*\* Open after sale to APP Group

# METALS: UNCHANGED WEAK METALFORMING MARKET



Recovery of Metals processing market

- **Metalforming**  
Unchanged low investment activity in metalforming with only a few large orders placed for press lines; favorable development of Yadon continued.
- **Metals processing**  
Further increase in project activity - however from very low level - mainly driven by rising steel and commodity prices.
- **Competition**  
Stable competition at challenging level.



Schuler offers state-of-the-art presses with new TwinServo Technology.



# SEPARATION: IMPROVED PROJECT AND INVESTMENT ACTIVITY

Mainly for solid/liquid separation equipment

- **Municipal**  
Investment activity at good levels, mainly in developed markets.
- **Industrial**  
Good project activity in mining and minerals; investment activity in chemicals and food remained low.
- **Feed an biomass pelleting**  
Low project activity.
- **Competition**  
Unchanged market environment with some global and many regional competitors.



ANDRITZ pressure drum filter TDF for fine and, in particular, ultra fine-grained products.

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# LONG-TERM ORGANIC GROWTH OPPORTUNITIES



## Aftermarket

- Digital business
  - Metris IIoT solutions and Metris spare part catalog (eShop)
  - Mill maintenance
  - O & M (Hydro)
- Grow Metals aftermarket

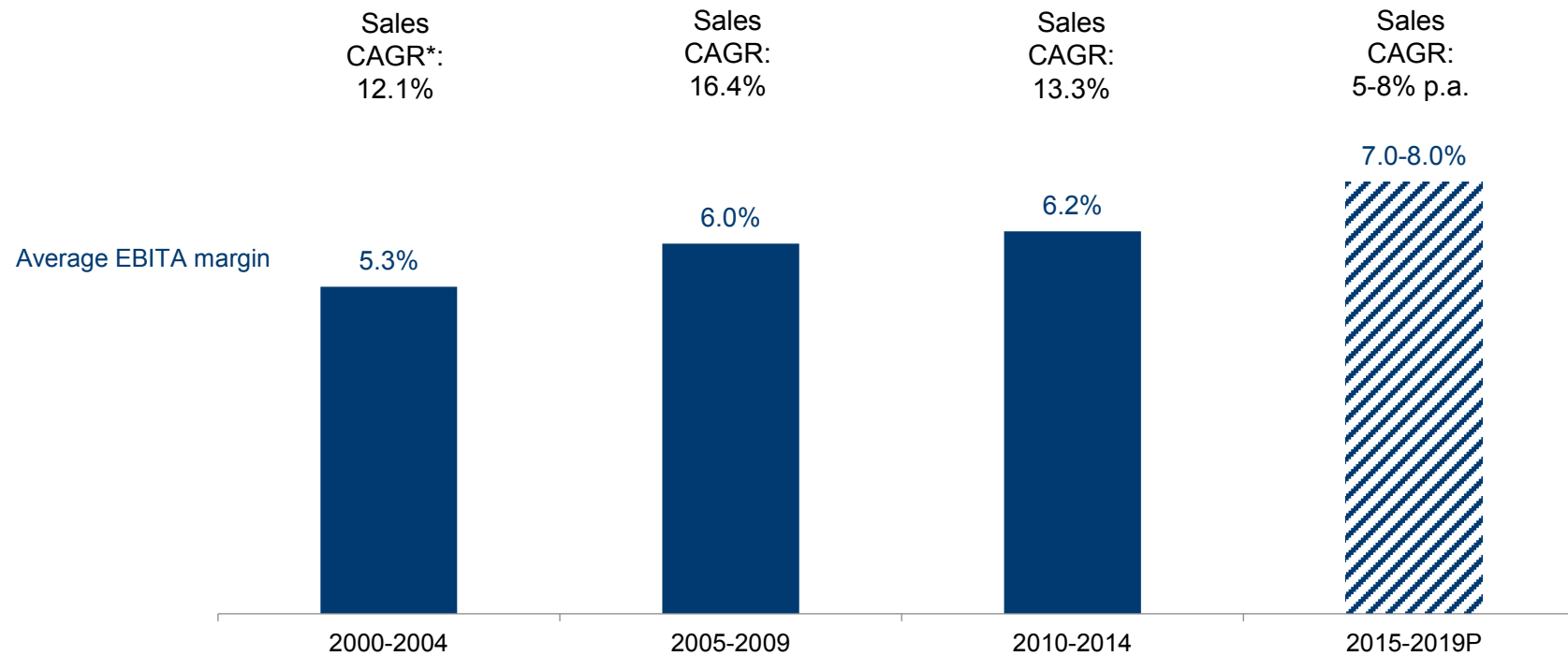
## Capital

- Hydro → China
- Schuler → B-segment automotive/non-automotive
- Separation



# TARGET TO CONTINUE LONG-TERM PROFITABLE GROWTH

Goal: further improve profitability with top-line sales growth



How to achieve long-term profitable growth:

- Price discipline
- Launch of new service products (OPP, eShop)
- Continued cost optimization
- Focus on further acquisitions

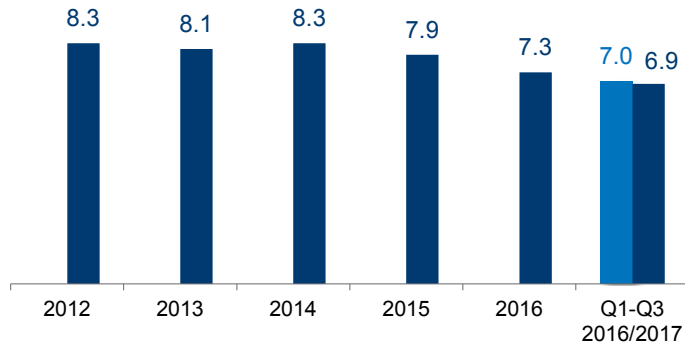
\* Growth rates include organic growth and acquisitions



# UPDATE ON LONG-TERM EBITA MARGIN GOALS PER BUSINESS AREA

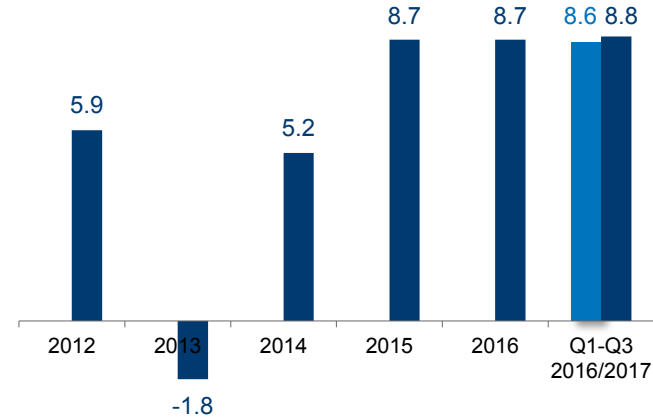


## HYDRO



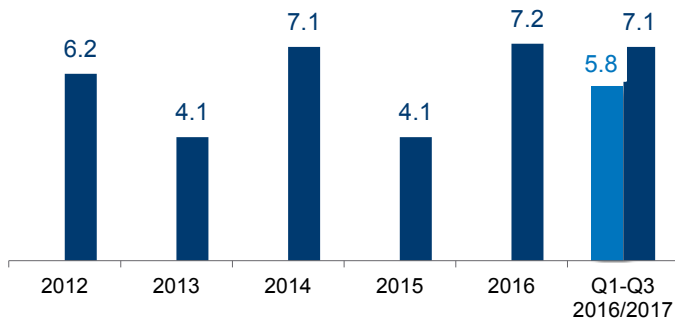
Long-term goal:  
**8.5-9.0%**  
**CONFIRMED**  
✓

## PULP & PAPER



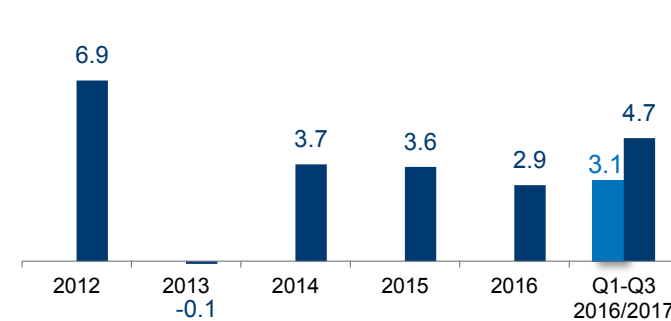
Long-term goal:  
**7.0-8.0%**  
**NEW: >8%**

## METALS



Long-term goal:  
**7.0-8.0%**  
**NEW: 6.0-7.0%**

## SEPARATION



Long-term goal:  
**8.0-9.0%**  
**CONFIRMED**  
✓

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