



## **ANDRITZ GROUP**

Capital Market Day 2015, Vienna

# Contents

**1** Major developments since last Capital Market Day

2 Business areas – market update

3 Capital Market Day – goals and summary

# Acquisition of Yadon, China

## ANDRITZ subsidiary Schuler acquires 51% stake

>> **Profile:** Yadon is one of the leading manufacturers of mechanical presses in China

>> **Main customer segments:** automotive supplying, household appliances, and metal working industries in Eastern China

>> **Annual sales:** ~100 MEUR

>> **Number of employees:** ~1,100 at three locations in China

>> **Strategic fit:** The investment in Yadon extends Schuler's product portfolio in the middle and lower price segments and provides access to a customer base not yet served in China, the largest market in the world for presses

>> **Closing:** Acquisition is subject to approval by anti-trust authorities; closing late 2015/early 2016



▲ Yadon headquarters, China

# Acquisition of Euroslot, France

## Strengthening of PULP & PAPER service business

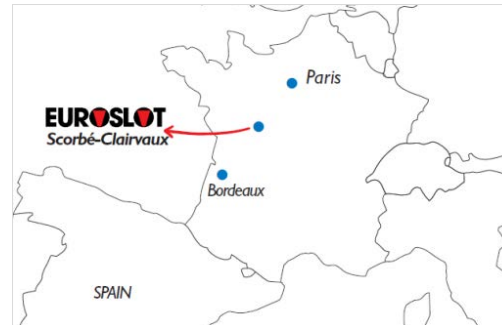
>> **Profile:** Euroslot designs and manufactures filtration and separation equipment

>> **Main customer segments:** pulp and paper industry, water and waste water treatment segment, and other industrial applications

>> **Annual sales:** ~20 MEUR

>> **Number of employees:** ~140

>> **Strategic fit:** strengthening of filtration and separation service business



▲ Euroslot headquarters, France



▲ Wedge Wire Screen Technology for demanding screening and separation processes

# Acquisition of Herr-Voss Stamco, USA

## Strengthening of ANDRITZ METALS service business

>> **Profile:** maintenance services for the steel industry and supplier of coil and sheet metal processing equipment

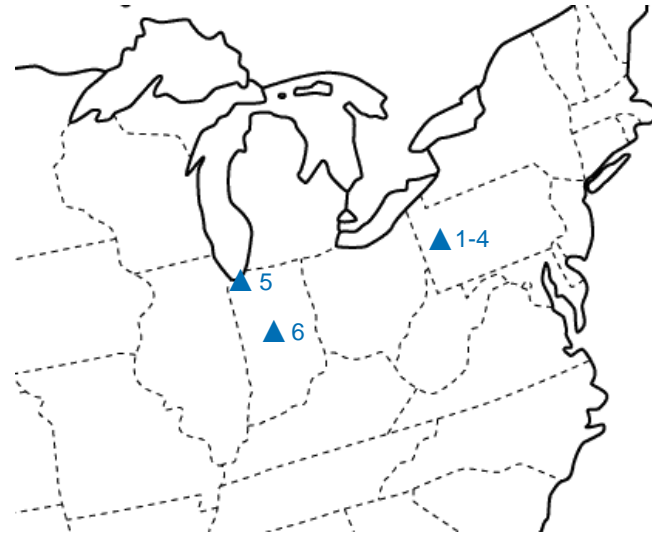
>> **Main customer segments:**

- **maintenance:** TMK IPSCO, Nucor
- **equipment:** automotive industry, oil and gas industry (1,600 customer references)

>> **Number of employees:** ~300

>> **Annual sales:** ~50 MEUR

>> **Strategic fit:** Enlargement of service and product offerings for North American customers in the metals sector



- Locations in Pennsylvania**
- 1 Ambridge
  - 2 Callery (Headquarters)
  - 3 Conway
  - 4 Mars
- Locations in Indiana**
- 5 Chesterton
  - 6 New Ross



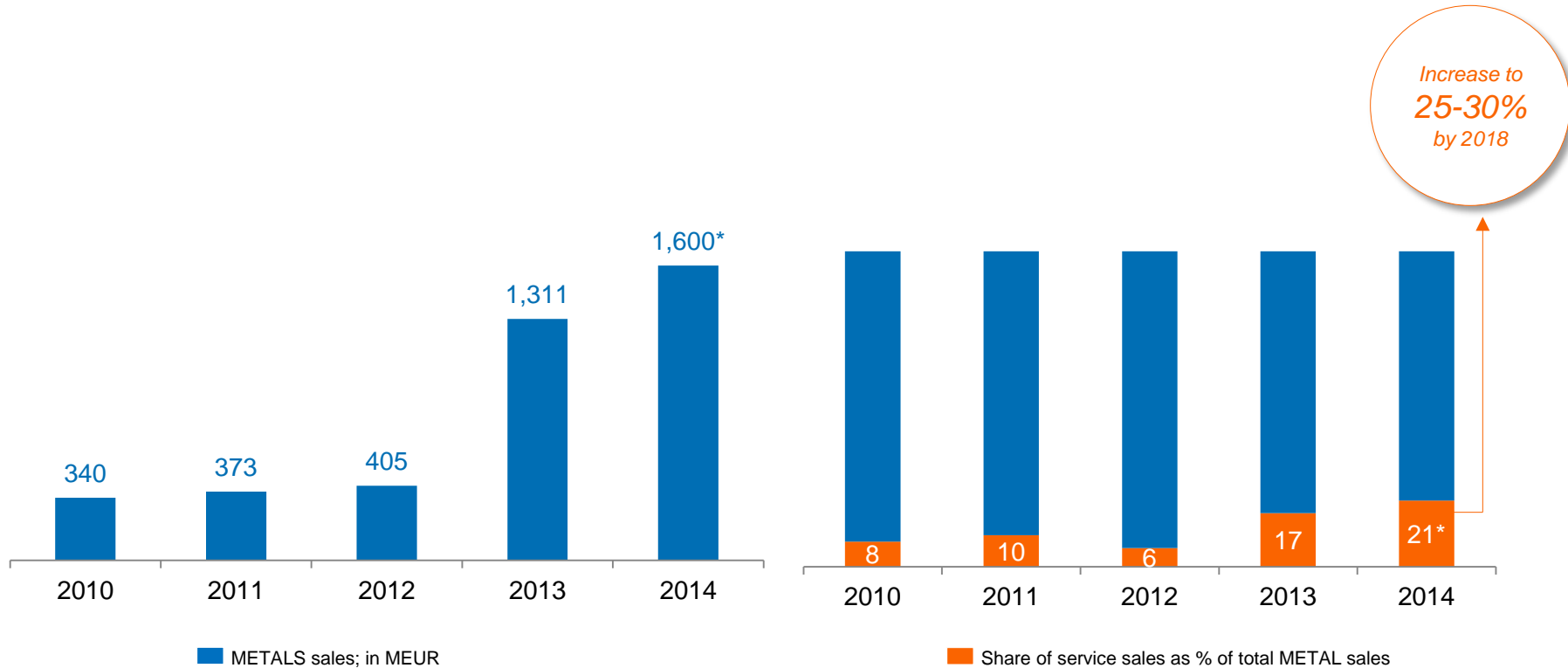
▲ Herr-Voss Stamco office building, USA



▲ Precision Leveler

# METALS

## Development of total and service sales since 2010



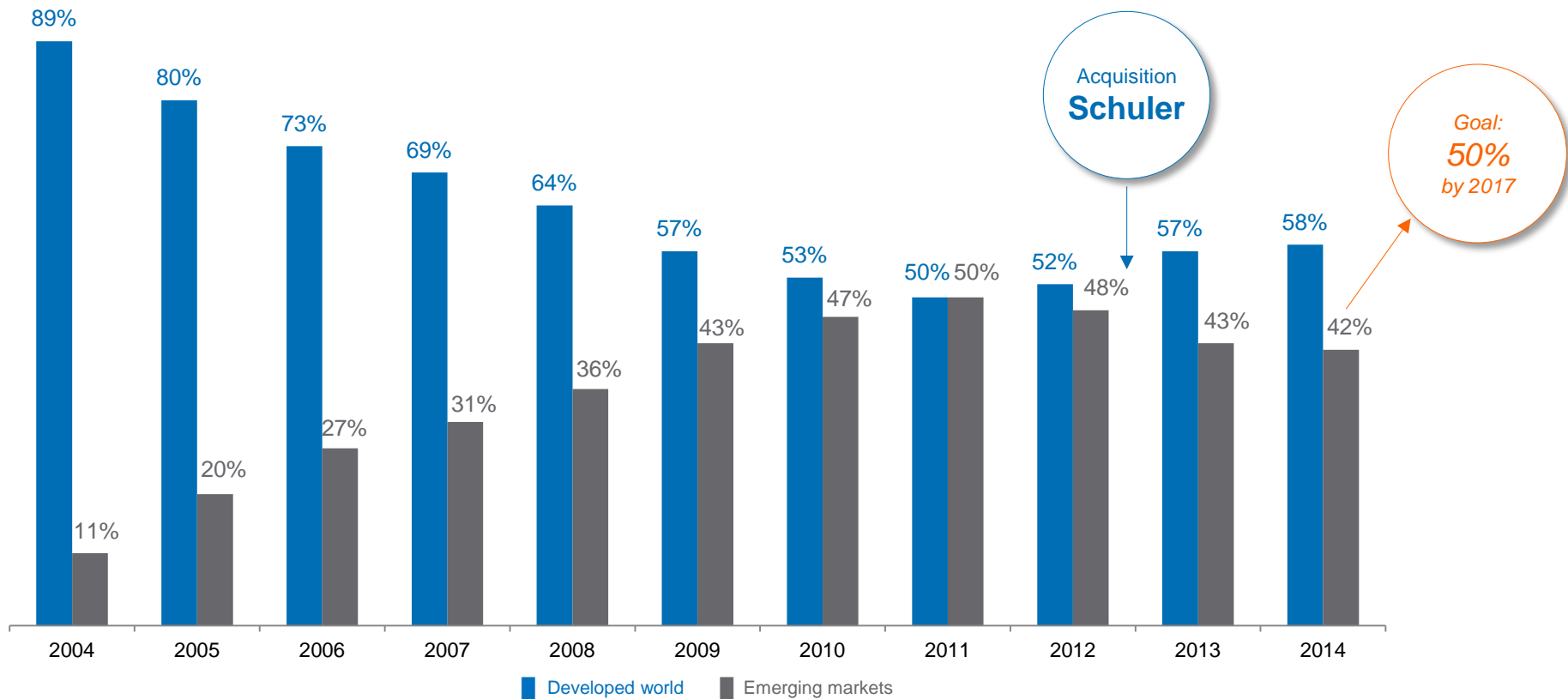
\*) incl. pro-forma Herr-Voss Stamco

# Improve cost position

## Shift of manufacturing capacities to emerging markets ongoing

Continue to shift production from developed world to emerging markets

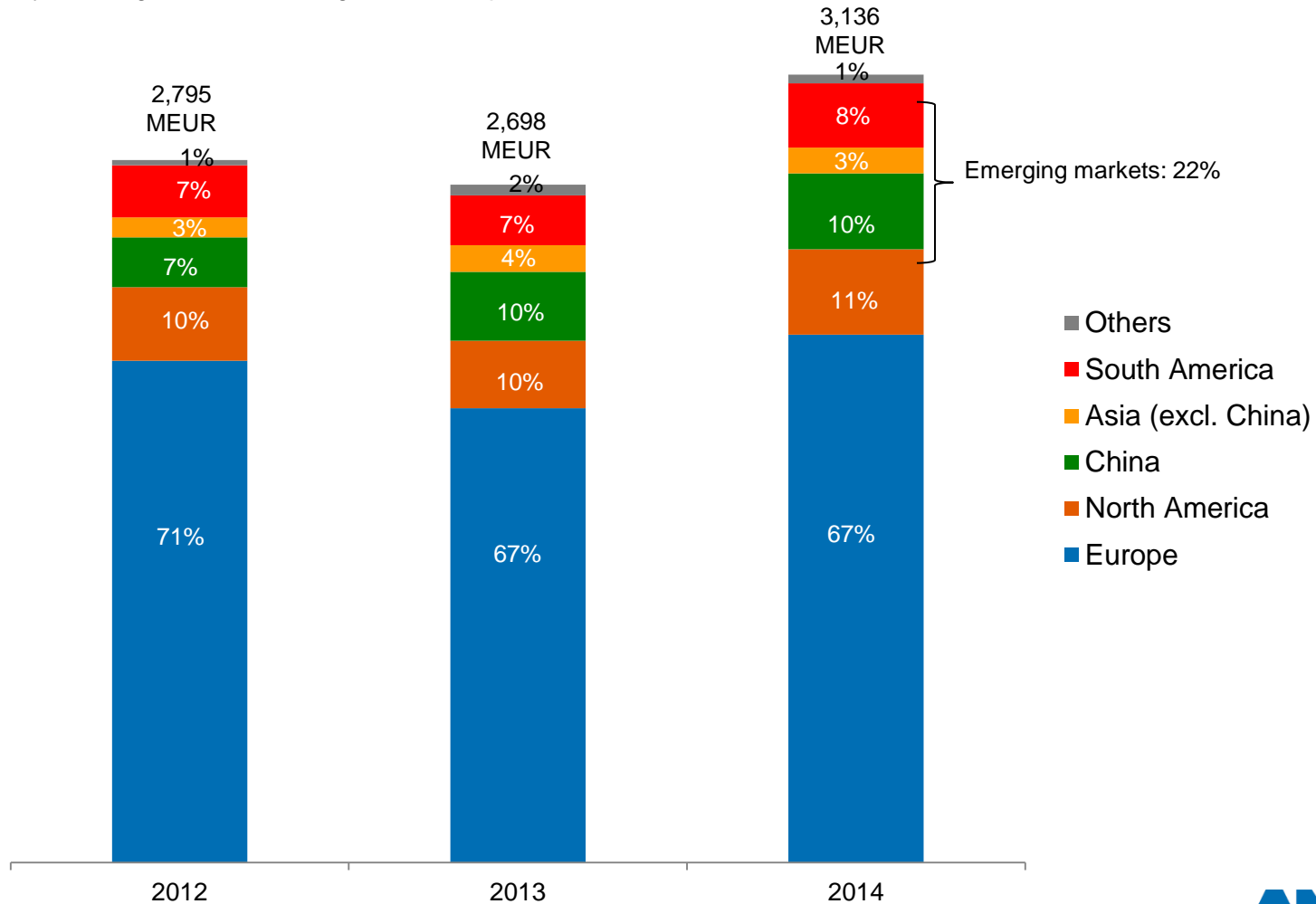
Split of ANDRITZ production capacities by region (in %)



# ANDRITZ GROUP procurement volume

## 2012-2014 by region in %

High flexibility due to global outsourcing → further optimization of value chain





# Contents

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# HYDRO

## Challenging, but solid market environment

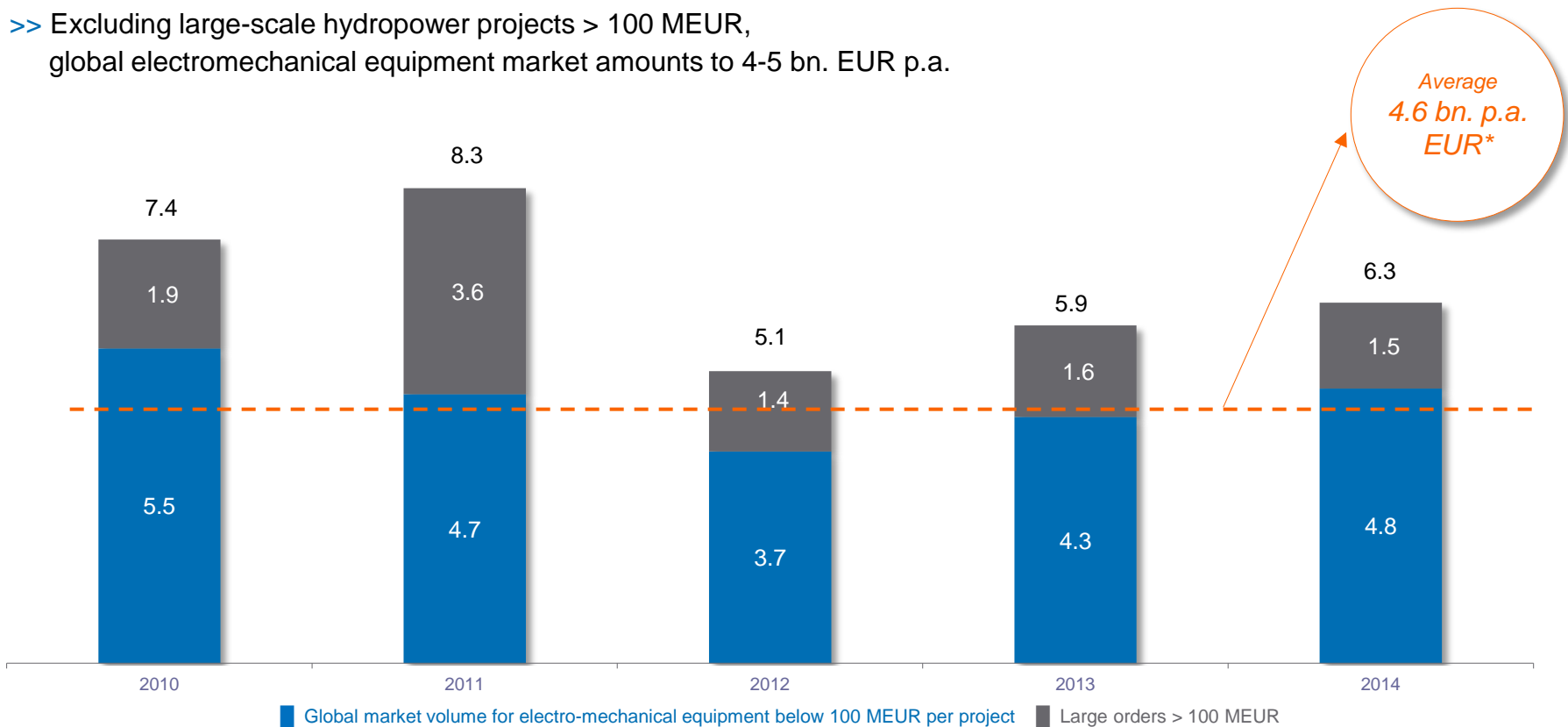
	Large-scale plants	Small-scale plants	Pumps
Market update	<ul style="list-style-type: none"> <li>&gt;&gt; Solid, but rather slow project activity for modernizations in Europe and North America</li> <li>&gt;&gt; Pumped storage projects on hold due to low electricity prices</li> <li>&gt;&gt; Greenfield hydropower projects in emerging markets, however awards expected only in the long term</li> </ul>	<p>Good activity, especially in emerging markets (high energy demand, low capex needs)</p>	<p>Demand for special pumps to remain at good level (irrigation, water transport, nuclear, etc.)</p>
Competition	Stable competition at challenging level. Main competitors: GE/Alstom, Voith		
Outlook	Stable -	Stable +/-	Stable +/-



# HYDRO: Development of global market volume for electro-mechanical equipment since 2010

>> Change/reduction of global market volume mainly caused by large-scale hydropower projects > 100 MEUR

>> Excluding large-scale hydropower projects > 100 MEUR, global electromechanical equipment market amounts to 4-5 bn. EUR p.a.



\* Average global market volume for electro-mechanical equipment below 100 MEUR per project

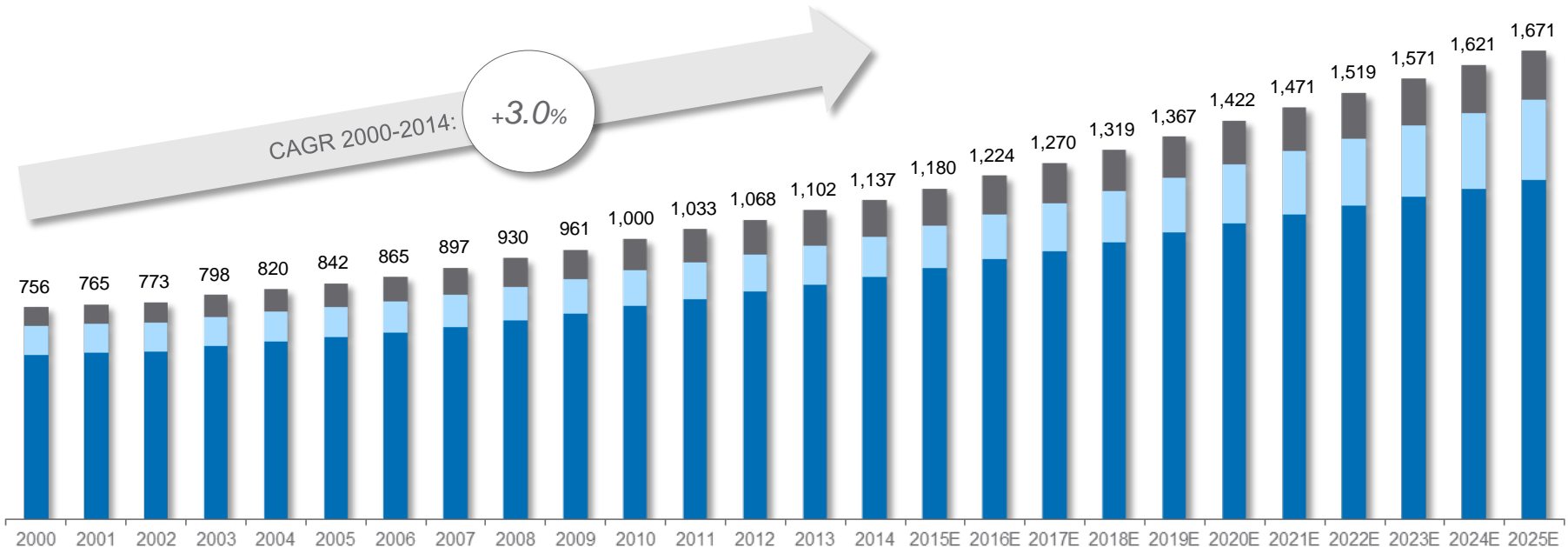
# Cumulative installed hydropower capacity in GW

Average annual growth of 3.6% expected for 2014-2025E

CAGR 2014-2025E: 3.6%

- Small hydro +2.7%
  - Pumped storage +6.6%
  - Large conventional hydro\* +3.1%
- \*) turbines > 30 MW

2014: more than 75% of total hydropower capacity came from large conventional hydropower plants with a capacity of 864 GW. The remainder came from small hydro and pumped storage capacities at 131 GW and 142 GW respectively.



Source: GlobalData

# Large-scale hydro projects with potential order values of > 100 MEUR for electro-mechanical equipment

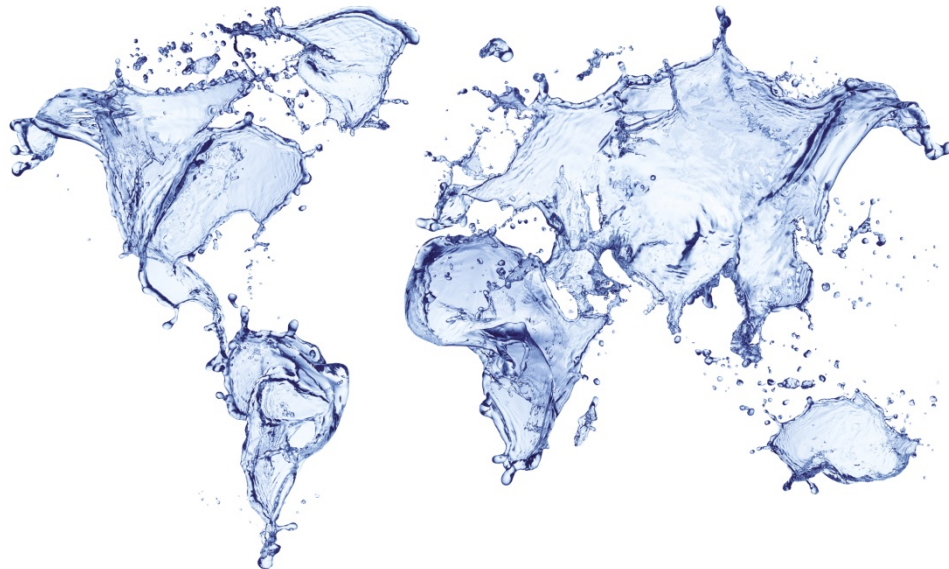
Advance work agreement signed. ANDRITZ HYDRO share ~ 250 MEUR.

Planned projects	Country	MW Total plant	Time frame
São Luiz do Tapajós	Brazil	8,040	Medium to long term
Inga 3	Congo	4,800	Medium to long term
Site C	Canada	1,302	Effective within next 2-3 years
Koralm	Austria	918	Effective within next 2-3 years
Swansea Bay	United Kingdom	352	Expected to be booked in 2016
Grand Coulee Units G19-G21 Turbine upgrade/rehabilitation	United States	1,800-2,310	Effective within next 2-3 years
Baleh	Malaysia	1,325	Effective within next 2-3 years
Grand Coulee Rewind – 3 <sup>rd</sup> Powerhouse	United States	1,800-2,310	Effective within next 2-3 years
Upper Cisokan	Indonesia	1,040	Effective within next 2-3 years
Nachtigal	Cameroon	419	Effective within next 2-3 years
Nam Theun 1	Laos	533	Effective within next 2-3 years
Mangla – Rehab	Pakistan	888	Effective within next 2-3 years
McNary – Runner Replacement	United States	980-1,127	Effective within next 2-3 years



# HYDRO: +/- list since last CMD

- ⊕ Stable development of margins despite slow market
- ⊕ Success in tidal power
- ⊕ Keep good market shares despite tougher competition
- ⊖ Further slow-down of global project activity



# PULP & PAPER

Good project activity, but unchanged challenging competition

	Pulp	Paper/packaging	Nonwoven/plastic film	Service
Market update	<ul style="list-style-type: none"> <li>&gt;&gt; Investments in greenfield pulp mills to continue</li> <li>&gt;&gt; Modernization projects to increase capacity, efficiency, and profitability of existing mills</li> <li>&gt;&gt; Green energy investments</li> <li>&gt;&gt; Some selective biomass pelleting projects</li> </ul>	<ul style="list-style-type: none"> <li>&gt;&gt; Stable demand for tissue and containerboard machines, predominantly in emerging markets</li> <li>&gt;&gt; More stringent quality requirements for food packaging</li> </ul>	<ul style="list-style-type: none"> <li>&gt;&gt; Stable and good project activity for nonwoven</li> <li>&gt;&gt; Good potential in certain niches</li> <li>&gt;&gt; Plastic film: sharp market decline due to overcapacity</li> </ul>	<p>Good potential to grow organically and by acquisitions</p>
Competition	Unchanged challenging competition. Main pulp competitor: Valmet			
Outlook	Slightly up	Stable +/-	Stable +/-	Slightly up





# PULP & PAPER

## Good project activity for greenfield pulps mills

### Chile:

Owner – project	Capacity/a.*	Planned start-up
Arauco – Bio-Bio	1.6	2018 et seq.

### Brazil:

Owner – project	Capacity/a.*	Planned start-up
Eldorado – Três Lagoas	2.3	2018 et seq.
Veracel – Eunápolis	2.0	2019 et seq.
Braxel – Peixes	2.0	2019 et seq.
CRPE Holding S.A – Ribas do Rio Pardo	2.2	2019 et seq.
Suzano – Imperatriz	1.3	2019 et seq.
Fibria – Aracruz	1.7	2019 et seq.

### Mozambique:

Owner	Capacity/a.*	Planned start-up
Portucel	1.5	2019 et seq.

### Finland:

Owner – project	Capacity/a.*	Planned start-up
Finnpulp – Kuopio	1.1	2019 et seq.

### China:

Owner – project	Capacity/a.*	Planned start-up
Guangxi Jingui – Qinzhou City	1.2	2019 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



# R&D success

## ANDRITZ A-yield pulping process

### Benefits

- 2-5 %-units higher bleached pulp yield can be achieved
- Reduced wood consumption
- Higher production rate if the recovery boiler is the bottle neck in the pulp mill
- Simple pay-back time is typically less than one year in capacity increase projects where the recovery boiler is the bottle neck
- Improved pulp properties



▲ ANDRITZ A-yield process reduces wood consumption and improves pulp properties

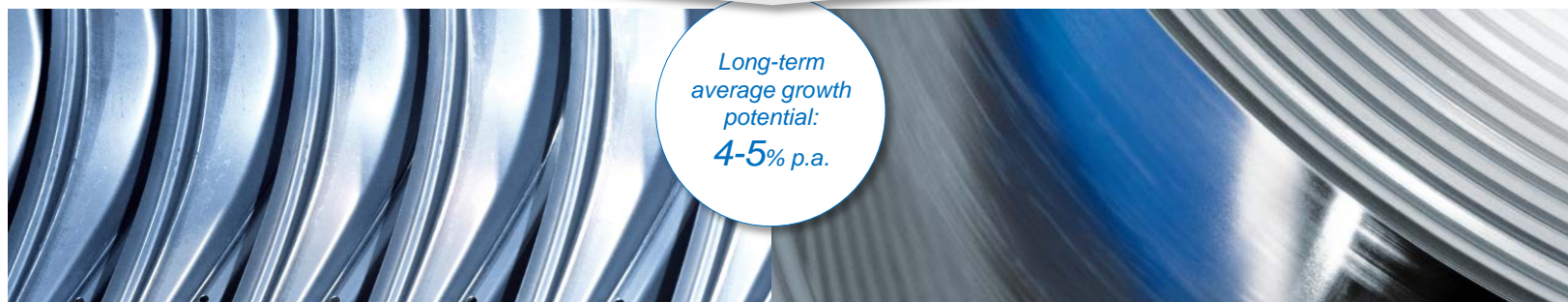
# PULP & PAPER: +/- list since last CMD

- ⊕ Final settlement of MdP case
- ⊕ Implementation of internal measures for improved risk control/limitation with regard to large-scale projects
- ⊕ Continued good development of the service business
- ⊕ Receipt of large greenfield pulp mill orders (Metsä Fibre, Fibria)
- ⊕ Market activity at unchanged good level
- ⊖ Development of biomass/bioethanol segments markets below expectations



# METALS: good project activity in metalforming and strip processing plants driven by automotive industry

	Metalforming	Carbon Steel / Stainless steel	Aluminum
Market update	<p>&gt;&gt; Good demand from automotive manufacturers, especially in Asia and Americas until beginning of 2015; since Q1 2015 slow-down of project activity, realization of current projects unclear.</p> <p>&gt;&gt; Stable demand from other industries</p>	<p>Investment activity to remain at low level in H2 2015 and H1 2016.</p> <p>More investment activities lately in carbon and stainless in Europe.</p>	<p>Good demand, especially for processing lines to continue, driven by automotive industry mainly in EU, NAFTA and Asia.</p>
Competition	Stable competition at challenging level		
	Main competitors from Japan and China	Main competitors: Danieli, SMS, Primetals (Mitsubishi/VAI)	
Outlook	Stable -	Stable -	Stable +/-



# R&D success – processing lines for aluminum strips

## Benefits

- Process know-how, 100% in-house design
- Cooperation with big players in the aluminum industry from Europe and the US
- Collaboration with research institutes and universities
- Hand-in-hand with the leading chemical suppliers
- In-house automation
- Market share: ~25% - among the world market leaders
- Order intake 2014: ~140 MEUR

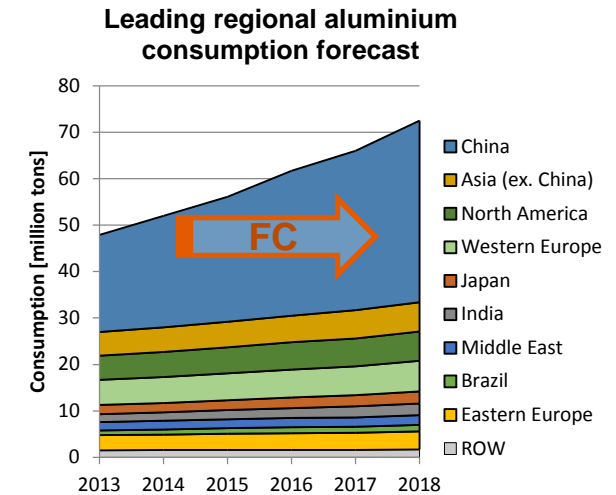
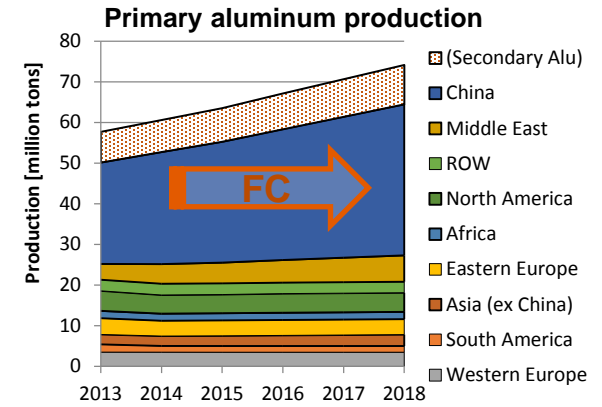


▲ Overview of a chemical treatment line

# METALS – RSF

## World market - aluminum

- The primary aluminum production in 2014 increased by 5% to a total of 52.7 mill. t (China 52%, 27.5 mill. t). The capacity utilization is >80%. Secondary aluminum production adds another 15% of the primary production
- In 2018 the total aluminum consumption worldwide is expected to be ~70 mill. t (China 57%, 40 mill. t, EU 9%, NA 9%). Oversupply not expected to ease, due to improved recycling rates and strong predatory competition
- Growth demand from the regional markets of China, Asia, and North America. The major contributors to this growth will be the transportation, construction and packaging sectors
- Upstream investments cooled down after 2013 but downstream investments should continue longer



Source: Author compiled

# METALS: +/- list since last CMD

- ⊕ Strong development of aluminum and furnaces segments confirms good market position
- ⊕ Restructuring Schuler proceeding
- ⊕ Increase of service sales at „old“ ANDRITZ METALS  
→ goal to get to 25-30% by 2018
- ⊖ Development of Schuler service sales still below expectations
- ⊖ Market deterioration in automotive metal forming

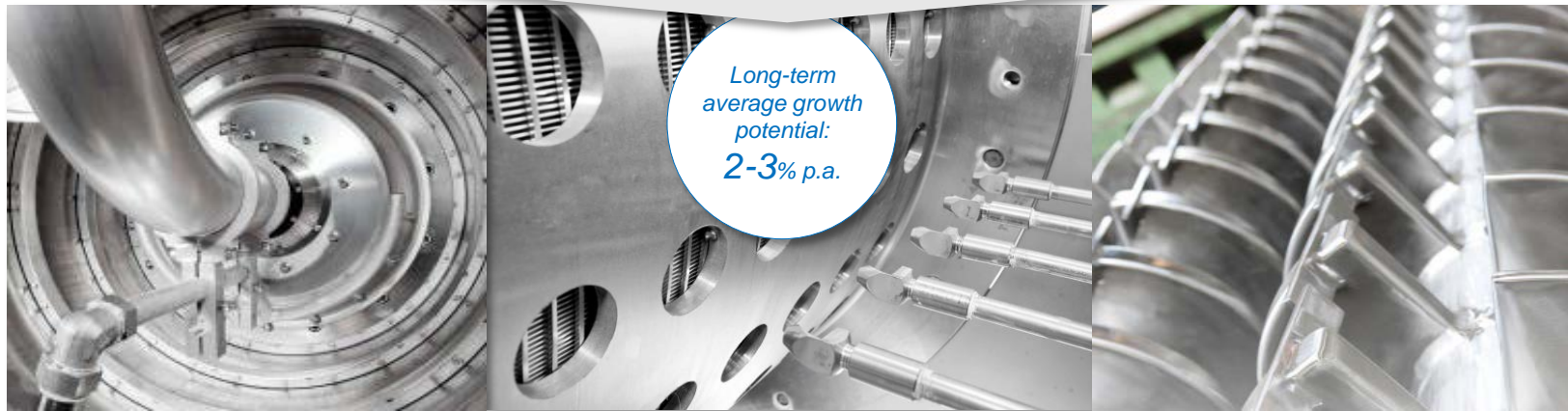




# SEPARATION

## Mixed development of markets

	Municipal	Industrial	Feed	Biomass pelleting
Market update	Investment activity at reasonable levels, mainly in developed markets	>> Reasonable demand in food processing and chemicals  >> Low project activity in mining/minerals	Continuing at solid level	Stable demand to continue
Competition	Very fragmented market with global and regional competitors			
Outlook	Stable +/-	Stable +/-	Stable +	Stable +



# SEPARATION: +/- list since last CMD

- ⊕ Product issues in China fully resolved
- ⊕ New organisation with 10 product homes implemented
- ⊕ Products modified to regain competitiveness
- ⊕ Manufacturing transfer to low cost countries underway
- ⊖ Development of sales and profitability still clearly below targets
- ⊖ Market activity in minerals/mining remained very weak





# Contents

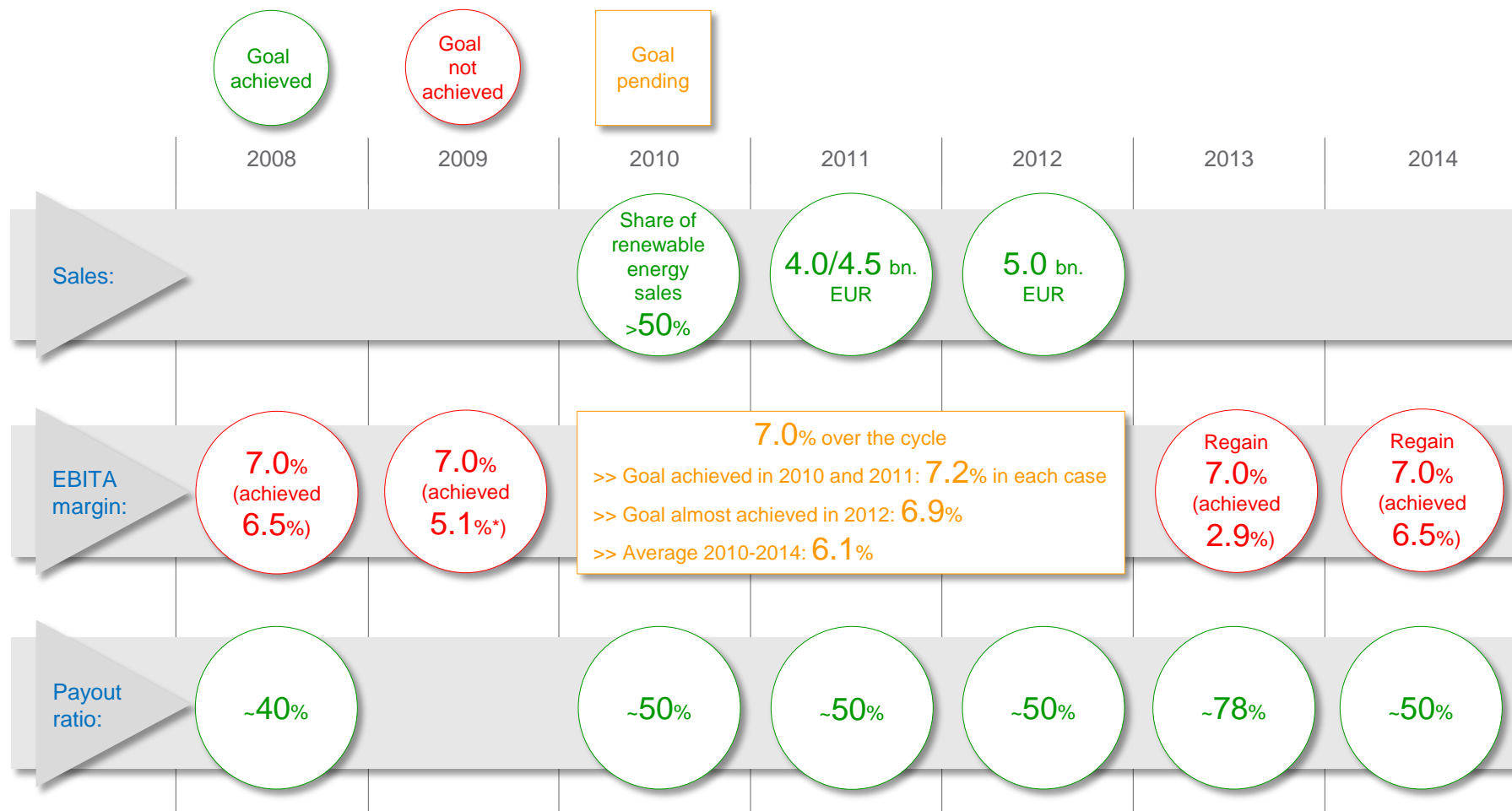
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# Review of past Capital Market Day goals:

## Dividend goals achieved, EBITA margin goal pending



\* Excluding restructuring expenses: 6.0%

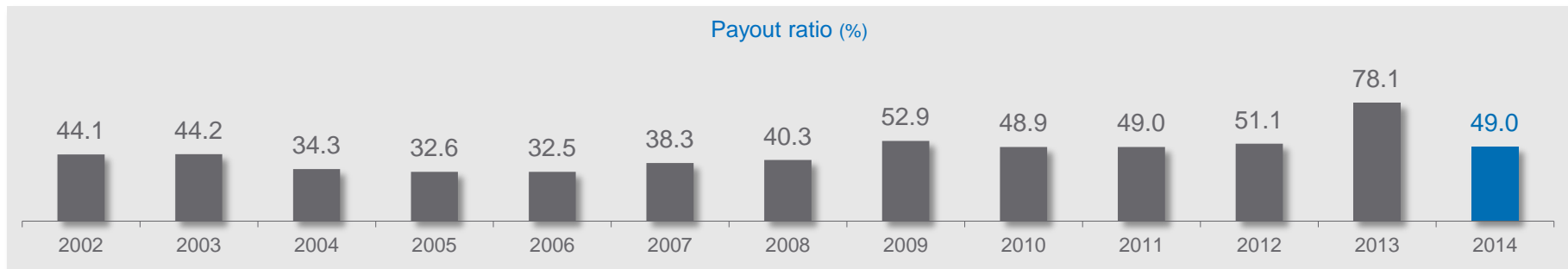
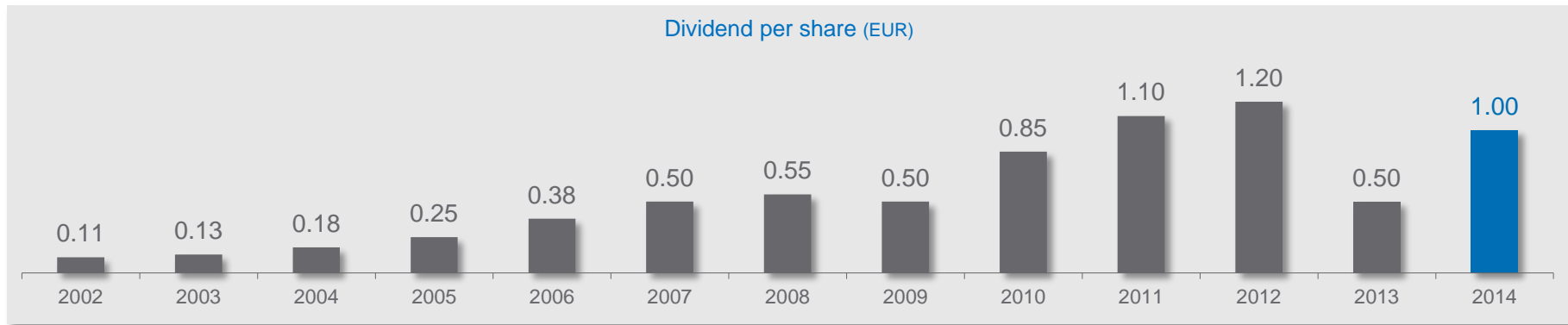
# Confirmation of dividend payout ratio goal

## Consistent dividend policy

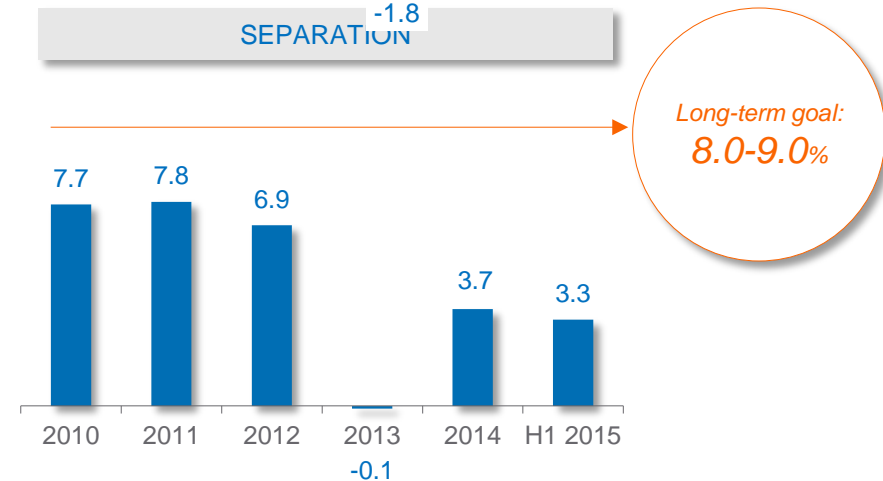
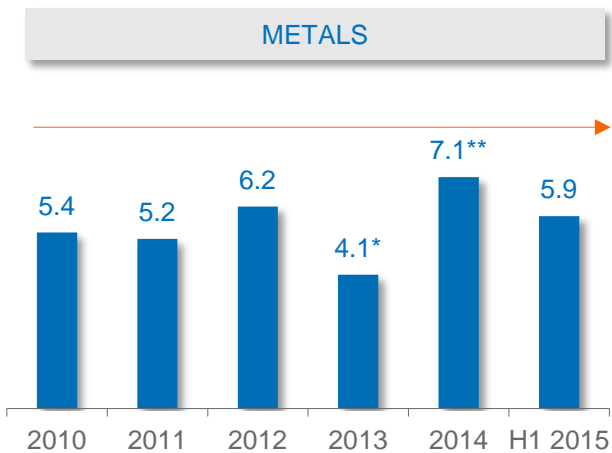
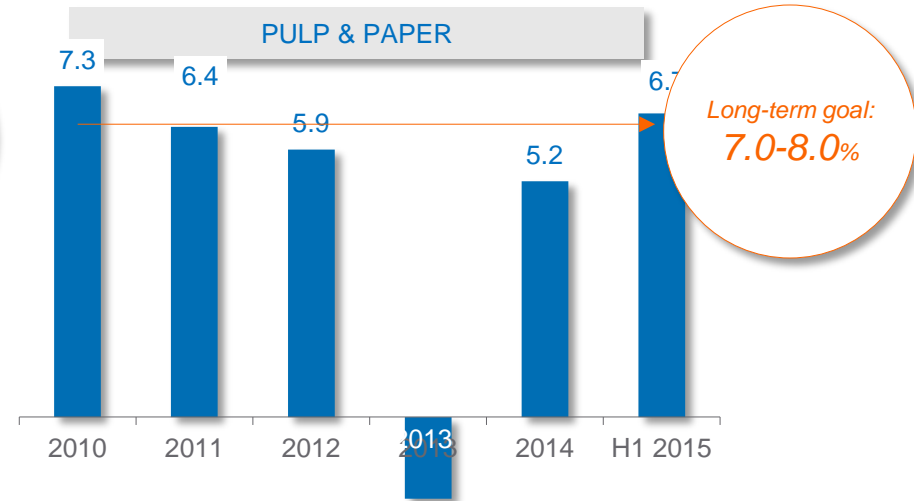
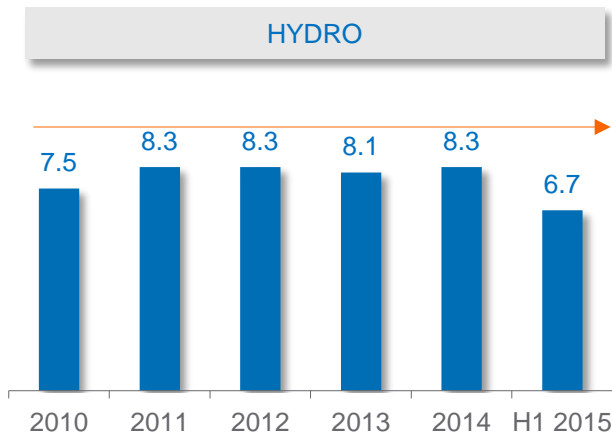
### Dividend goals:

>> Maintain payout ratio at a minimum of ~50%

>> Mid-term increase to ~60%



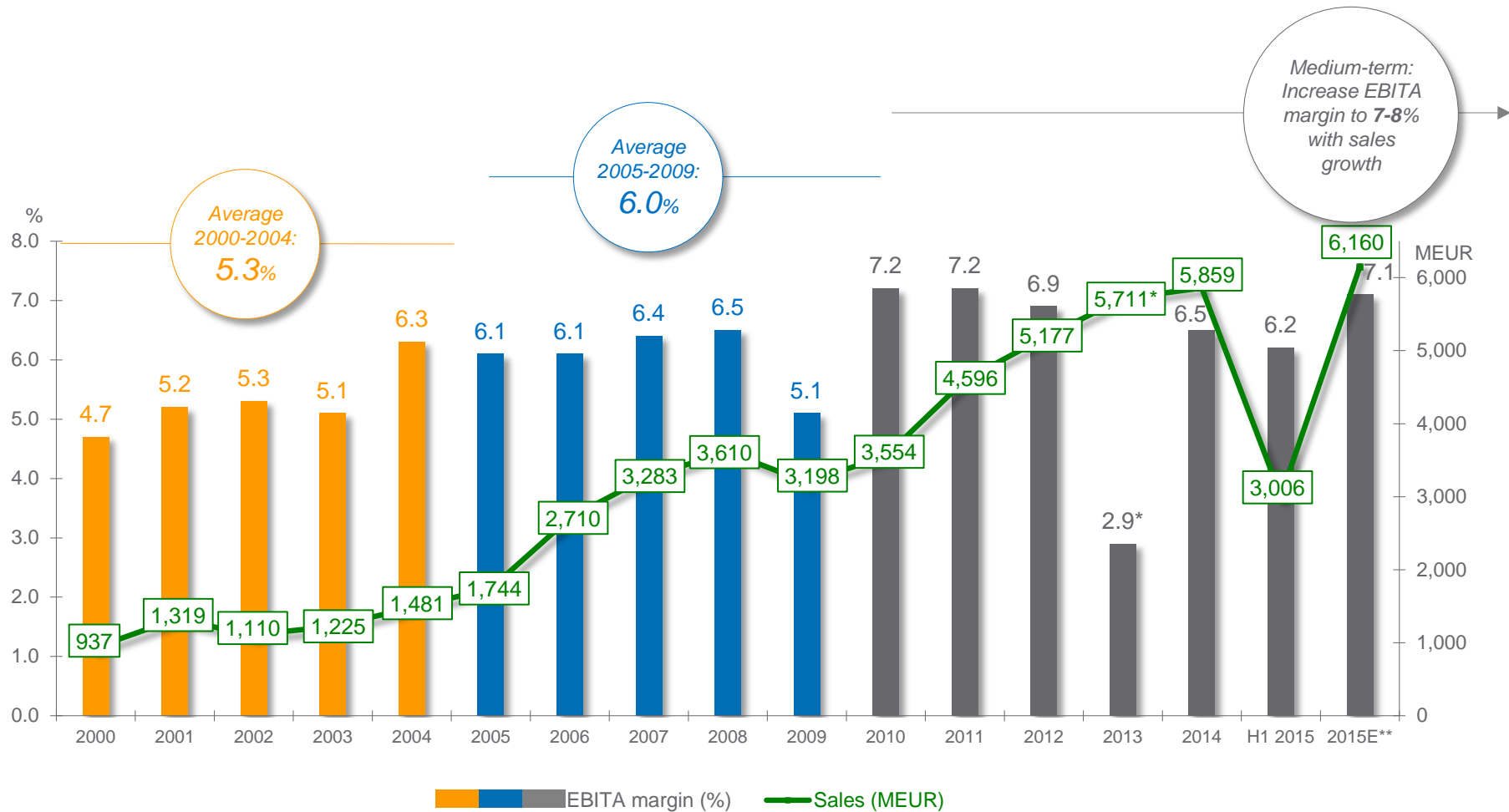
# Long-term EBITA margin goal per business area



\* Including restructuring expenses of ~40 MEUR for Schuler  
 \*\* Schuler: 8.8%

# Target to continue long-term profitable growth

Goal: further improve profitability with top-line sales growth



\* Including Schuler as of March 1, 2013; no pro forma figures are available for the reference periods of previous years \*\* Consensus as of October 1, 2015

# Group Strategy – Main goals

## Growth

- Focus on growth markets with higher growth opportunities
- Expansion of product portfolio through R&D and acquisitions
- Achieve long-term growth of 5–8 % p.a. depending on market growth and acquisitions

## Profitability

- Service: increase share of service sales to 35%
- EBITA margin: regain 7% and improve to 8% with top-line sales growth
- Dividend: payout ratio at least ~50% and mid-term increase to ~60%

## Technological Leadership

- Achieving the status of preferred supplier by virtue of its technology, quality and references
- Offer best ROI for customer
- Sustainability in development of innovative technologies
- Focus R&D: environmental protection, enhancing energy efficiency, clean power generation

## Global Footprint

- Balanced global presence
- Emerging markets expansion
- Further shift of manufacturing capacities to emerging markets
  - ▶ goal of 50% by 2017 vs. 42% in 2014





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# Disclaimer

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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. The content of this presentation was based on the information available on October 1, 2015.

If the premises for these assumptions and forecasts do not occur, actual results may vary from the forecasts made in this presentation. Although the greatest caution was exercised in preparing data, all information related to the future is provided without guarantee.

*Note:*

*All figures according to IFRS; MEUR = million Euros; mill. = million; t = tons*