

FEED TECHNOLOGY

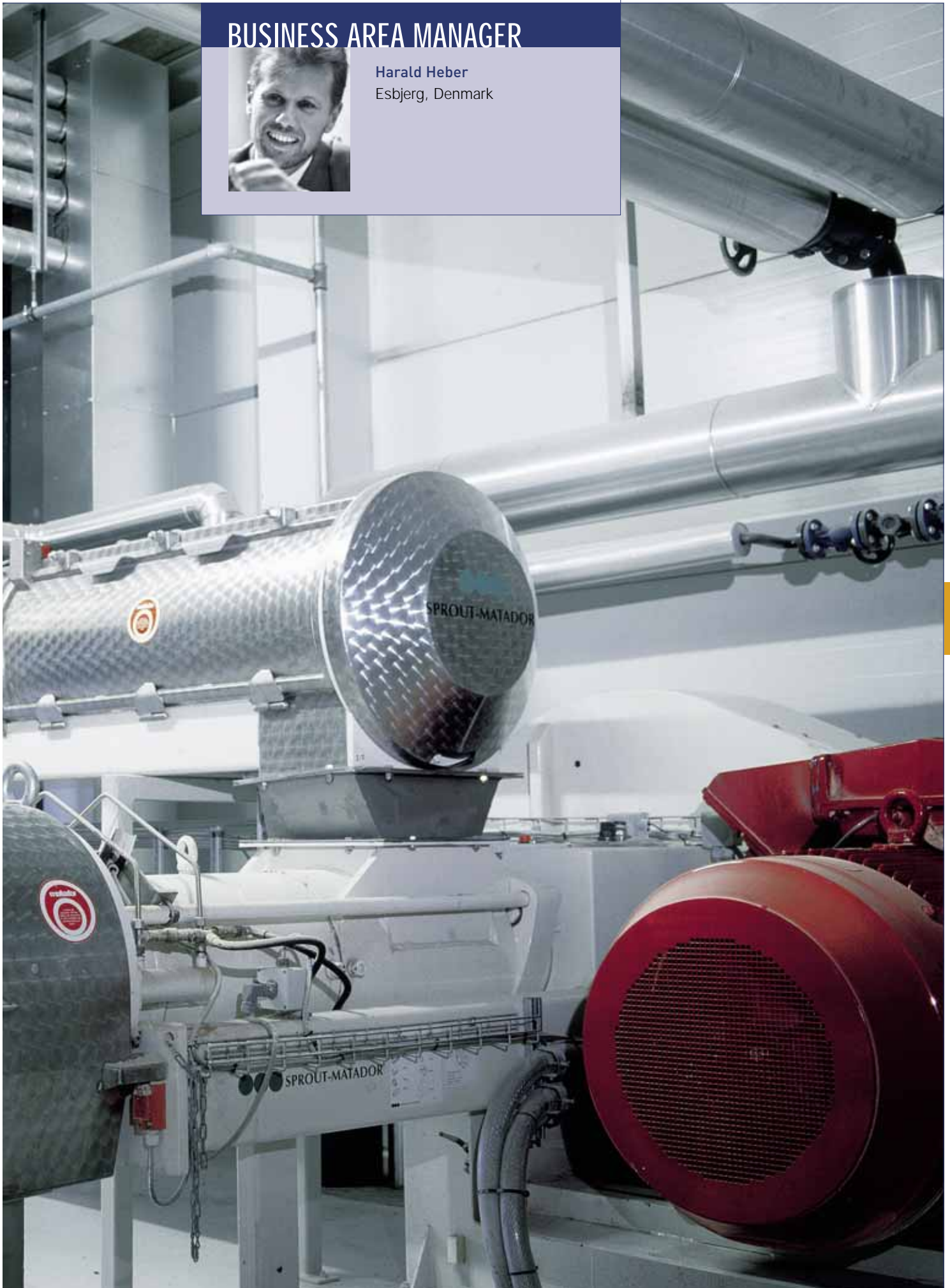
Feed expander

Andritz supplied two Sprout-Matador process lines (30 t/h) for Aarhusegnens Andel's highly advanced feed mill in Galten, Denmark. The feed expander (photo) is part of this delivery.

BUSINESS AREA MANAGER



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PROFILE

→ The Feed Technology Business Area is a global market leader for supplying machines and systems, pellet mill consumables, dies and rolls, and other services to the animal feed industry, the pet food industry, and the fish and shrimp feed industries. The Business Area also holds a leading position in fast-growing niche markets for wood fuel pelleting, pelleting of agricultural and industrial by-products, and household waste.

The Business Area has a central management and operates from three main sites:

- Esbjerg, Denmark: the center for new equipment and spare parts (R&D, engineering, production, and procurement of process equipment and parts).

- Geldrop, the Netherlands: the center for consumable parts (R&D, engineering, and production of replacement dies and rolls for pellet mills, and beaters/hammers for hammermills).

- Muncy, Pennsylvania, USA: the center for sales and service in North America (dedicated R&D, engineering, in-house manufacturing, and procurement entities for certain equipment and replacement parts).

The Business Area operates from ten regional sales and service offices. It is supported by a strong network of distributors and sub-suppliers.

Market development

The global animal feed market developed very moderately in 2004. Investment activities in large plant and expansion projects were mainly focused on Eastern Europe and South America. Large projects in North America and Western Europe, as well as Asia were few and slow moving. Asian investments were negatively affected by the avian influenza. Western European investments were mostly modernizations and technological upgrades in connection with production plant consolidations.

In the aquatic feed segment, project activity with warm water and marine species has increased. The salmon industry is still facing relatively low prices, leading to cautious investment activity in feed plants.

The project activity for plant expansions and greenfield projects with regional pet food producers was good throughout the year. Larger producers made few investments in process technology.

The market for environmentally-friendly biofuel pellets, mainly from wood, continued to develop favorably in Western Europe, strongly driven by power plants converting to "green" energy fuels. This has led to increasing investment activities in pelleting plants in the forestry regions of Northern and Eastern Europe, as well as in North America. Pelleting projects in support of improved combustion of waste from households and industries remained at a modest level throughout the year.

Business development

Due to the moderate market conditions and negative translation effects resulting from the strength of the Euro against the US dollar, Sales of the Business Area in 2004 increased only slightly to 99.6 MEUR (2003: 99.2 MEUR). Excluding exchange rate effects, Sales would have increased by approximately 2% compared to 2003.

Earnings developed unsatisfactorily. Due to costs of approximately 2.4 MEUR relating to the restructuring of the Business Area and translation effects as a result of the weak US dollar, EBITA dropped to 2.2 MEUR in 2004 (2003: 4.8 MEUR). The restructuring should result in annual Earnings improvements of 2.0 MEUR, starting from the middle of 2005.

The Business Area's largest-capacity feed pelleting lines installed in Asia and South America were successfully commissioned during the year.

Order Intake in 2004 decreased to 92.0 MEUR (2003: 102.0 MEUR). This is mainly due to the weak US dollar and the limited number of larger orders for complete systems.

Major orders

The Business Area secured a number of animal feed plant modernization and expansion projects in Eastern Europe and South America.

- A large number of orders for process machines – pellet mills, expanders, and other products – were received from integrated meat producers in these regions.
- An increasing number of orders for extrusion key machines were awarded from European pet food industries and producers of feed for warm water fish in Southern Europe and Asia.
- Larger orders for wood pelleting systems were received in Sweden, the USA, Russia, and Latvia.

Research and Development

R&D activities focused on further developing existing products, simplifying maintenance of equipment, increasing the service intervals of products, and also standardization of products.

A new generation of pelleting line control systems was developed together with an updated version of SM 32 Supervisory Control and Data Acquisition (SCADA) software.

In the area of pellet mill consumables, improvements were made in the alloys used and heat treatment of parts due to the investment in new heat treatment furnace technologies.

KEY FIGURES FEED TECHNOLOGY

MEUR	2004	2003	2002	2001
Sales	99.6	99.2	108.4	107.0
Order Intake	92.0	102.0	104.7	112.6
Order Backlog as of 31.12.	16.0	24.5	23.5	27.6
EBITDA	5.1	7.4	6.1	4.7
EBITDA margin	5.1%	7.5%	5.6%	4.4%
EBITA	2.2	4.8	4.2	0.9
EBITA margin	2.2%	4.8%	3.9%	0.9%
Capital investments	1.6	6.6	5.4	6.7
Employees as of 31.12.	482	549	609	676