

# STRATEGY

The overall strategic goal of the Andritz Group is to leverage its strong market position to become the leading supplier of production systems and processes in the Business Areas in which it operates. The strategic direction is based on the following pillars, which aim at achieving sustained Group growth and profitability:

## ENHANCED TECHNOLOGICAL LEADERSHIP

Andritz is a technological leader in all of its Business Areas and is committed to continuously widening its technology lead. To this end, Andritz will continue to invest in research and development programs, often in cooperation with customers, to create and/or further develop technologies that result in improved cost-efficiency, reliability, and productivity for its customers.

## IMPROVED GLOBAL MARKET POSITION AND PENETRATION

Andritz is a global organization with a presence in all major geographic market areas. The company targets to enhance its strong global reach by improving its service presence and sustaining ongoing business relations with key customers globally. Andritz seeks to achieve this objective in part through recently established centers in growth areas such as Chile, Brazil, China, and India. As the Group also has production sites in major economic areas of the world, it can better balance potential currency fluctuations, thus avoiding or reducing major negative impacts on the Group's competitiveness.

## COMPLETE FULL-LINE SYSTEMS CAPABILITY THROUGH PRODUCT DEVELOPMENT AND COMPLEMENTARY ACQUISITIONS

Customers in all of Andritz's Business Areas are increasingly seeking integrated production lines and full-service customization. Accordingly, Andritz will continue to augment its product range by developing its own technologies and/or selectively acquiring businesses that complement the existing product portfolio, as well as service capabilities that complement those currently provided. This allows Andritz to design, supply, and service substantially all of the production lines, equipment, and processes required by its customers.

## EXPANDED RANGE OF SERVICES

Service sales of Andritz, which account for basically one-third of Andritz's total Group Sales, have grown significantly during the last few years. This is in line with the increasing requirements from customers who choose to outsource service and maintenance activities. Andritz will continue to grow its service capabilities in order to support its customers and to maintain profitability during market cycles. Recognizing the importance of a

local presence for service, Andritz will organically expand its geographic network and, when appropriate, acquire specialist service providers in local markets.

## INCREASED EFFICIENCY AND UTILIZATION OF INTERNAL SYNERGIES

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Andritz benefits from its investments in the knowledge and expertise of its employees, manufacturing capabilities, and product development and will continue to exploit internal synergies to enhance its competitiveness. This is often achieved through technology transfers between Business Areas and the sharing of functional resources. Quick integration of newly acquired companies is one of main goals in order to achieve optimum synergies.

## ACTIVE MANAGEMENT OF FIXED COSTS

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It has been a strength of the Andritz Group to actively pursue cost management programs, including a "make/buy" strategy for the components used to manufacture its products. This enables Andritz to source a significant proportion of non-essential components from qualified external

suppliers while focusing its manufacturing activities on more complex or proprietary products. All major system components are pre-assembled in Andritz's own workshops or at qualified sub-suppliers to ensure high quality of delivered systems. In periods of sales declines, the Group uses this strategy to reduce dependence on outsourcing, thereby maintaining in-house utilization levels and reducing external costs.

## IMPROVED PRODUCTIVITY THROUGH PRE-EMPTIVE RESTRUCTURING

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Andritz's manufacturing facilities are utilized to support the Business Areas and operate in global markets. Andritz continually evaluates the productivity of its manufacturing facilities, and actively rationalizes and restructures operations when it identifies opportunities to reduce fixed operating costs.