

CORPORATE STRATEGY

Focus on growth and profitability

The overall strategic goal of the Andritz Group is to further consolidate its strong market position in each of its Business Areas in order to become the leading supplier of production systems and processes in all the markets in which it operates. Andritz is a growth company, and thus, all strategic corporate measures and decisions are focused on continued growth and increased profitability of the Group, achieved by better fulfilling the customers' needs.

Growth

Since 1990 Andritz Group's Sales have grown by more than 10% p.a. This growth has been based on the following strategic goals:

Focus on existing markets and customers

The Group serves long-term growing markets. Pulp, paper and steel consumption grow in step with gross domestic product expansion on average per year. Within each of these markets, Andritz will continue to focus on the fast growing segments, e.g. stainless steel or tissue, which have grown over proportionally over the last few years. As a leading supplier of plants, machines, and systems to all major customers in these markets, Andritz is in the position to benefit from the growth of these markets.

R&D and complementary acquisitions

Andritz will continue to invest in the development of new products and processes, often in cooperation with customers, in order to consolidate or expand its competitive position. The main goal is to stay a technological leader in all Business Areas and to continuously expand this edge by launching new products that are cost-efficient, reliable, and will increase productivity for the customers. It is a declared goal of the Group to invest a sizeable amount of money in R&D activities.

On average, approximately 3% of the Group's Sales have been spent for R&D over the last years. In addition, pilot plants are run and operated along with customers. In total, approximately 200 people work in the Group's research centers to develop new processes and products.

Andritz will also continue to seek opportunities to acquire companies and businesses that complement its existing range of products and services. The goal is to offer customers full-line capabilities with regard to products and services in all Business Areas. This allows Andritz to design, supply and substantially service all production lines, equipment, and processes required by its customers.

Quick integration of the newly-acquired companies, technology transfers between these companies, and the sharing of functional resources are among the main goals in order to achieve optimum synergies.

Andritz has a very strong long-term commitment to the companies it acquires. The main goal is to further expand these companies, thus giving the former owners – frequently families with decades of history with the company – the confidence to know that their former company will continue to thrive within the Andritz Group.

Global presence

In all of its Business Areas, the Andritz Group serves leading international companies with global reach. Fast support and service, together with local expertise, are, therefore, main requirements for Andritz to optimally satisfy the customers' needs. As a consequence, Andritz has established a well organized global organization with presence in all major geographic market areas.

It is the declared goal to further 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. By establishing company sites in such countries, Andritz – besides benefiting from highly-specialized local expertise – also contributes to the build-up or further development of technical competence in these countries. Since 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.

Service business

The Service business plays an integral part of Andritz's product offerings to its customers. It covers not only the sale of spare parts, but also of wear parts, whose technical features have a great influence on the quality of the customers' end product and the reliability and profitability of the plants and processes. The product portfolio in Services also encompasses daily maintenance, which is offered from single services to full-service contracts. In

partnership with the customers' own maintenance personnel, Andritz efficiently maintains the machines, production lines, and complete plants.

Service sales of Andritz, which account for approximately 30% of Andritz's total Group Sales, have grown significantly during the last few years. Andritz will continue to grow its service capabilities in order to support its customers in reaching their defined production and profitability goals. For Andritz, further growth of the Services business will result in balancing out potential cyclical swings of the capital business. 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.

Profitability

Besides achieving long-term Sales growth through organic expansion and complementary acquisitions, continuous increase of profitability is also one of the main strategic goals of Andritz. Better fulfillment of customer needs for economic production systems, technological leadership, and continuous efficiency improvement should enable Andritz to further improve profitability in spite of a very competitive environment.