

FEED TECHNOLOGY

Highlights 2005

- Solid project activity for animal feed production plants in Asia, South America, and Eastern Europe
- Strong demand for wood pelleting plants
- Increase in Order Intake and Earnings



The Micro Fluid System MFS™ of Andritz secures precise metering and optimum efficiency of essential vitamins, enzymes, and other liquid nutrients in advanced animal feed plants.



Business Area Manager

Harald Heber
Esbjerg, Denmark



Profile

The Feed Technology Business Area is a global market leader for supplying machines and systems, pellet mill consumables, such as 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 markets for wood fuel pelleting, pelleting of agricultural and industrial by-products, and household waste.

The Business Area has three main sites: Esbjerg, Denmark; Geldrop, the Netherlands, and Muncy, PA, USA. It operates from ten regional sales and service offices, and is supported by a strong network of distributors and sub-suppliers.

Market development

In 2005, the animal feed industry in Asia, South America, and Eastern Europe showed good project activity. This trend was mainly driven by vertically integrated meat producers that are building up additional capacities and aiming to improve existing factories. New investment plans in Western Europe and North America remained at a modest level.

The aquatic feed segment also developed positively during 2005, with project activity mainly focused on Asia, the Mediterranean region, and Central and South America.

Capacity expansions within the renewable energy market segment in Europe, as well as in North America, continued on a very active level in the wood pelleting industry. Increased wood pellet plant activities were also observed in the emerging markets of Russia and South America. Also, the waste pellets industry in Central Europe showed reasonable activity.

Business development

The Business Area's positive financial development in 2005 was greatly influenced by the effects of the successful restructuring measures implemented in 2004. As a result, Earnings and Profitability improved substantially compared to 2004.

Despite lower Sales, which decreased to 93.6 MEUR (2004: 99.6 MEUR) as a result of the low Order Backlog as of the end of 2004, EBITA, at 7.2 MEUR, more than tripled compared to 2004 (2.2 MEUR). Profitability (EBITA margin) surged to 7.7% (2004: 2.2%).

Order Intake of the Business Area developed favorably, rising to 101.2 MEUR in 2005. This is an increase of 10% compared to 2004 (92.0 MEUR), providing a solid basis for Sales in the coming Quarters.

In 2005, the Business Area further enhanced its manufacturing capabilities. It acquired the majority of shares of a machining and fabrication company in Slovakia, and started manufacturing of strategic products for the Asian market at Andritz Technologies China in Foshan, China.

The main goals for 2006 will be further organic growth and the evaluation of further steps to expand the Business Area. Besides potential acquisitions, the focus will be based on the development of new products and further regional expansion.

Major orders

Production plants for animal feed

- Charoen Pokphand, Thailand placed a follow-up order for the largest feed processing line in Asia, which was delivered and commissioned in 2004. It will also supply key equipment for a new feed mill of this customer.
- The Business Area received a large order for animal feed equipment for a new plant built by Sadia, Brazil, as well as orders from the same customer for expanding existing feed processing plants.
- Several orders for animal feed plant expansions were won in Central and South America and in Eastern Europe.
- New animal feed processing plants and aquatic feed extrusion lines will be supplied to various customers in the Mediterranean region and in South America.

Plants for production of biofuels

- For a customer in Belgium, the Business Area will supply the wood pelleting line for a large greenfield biofuel power plant.
- Several orders were also received for new wood pelleting plants in Scandinavia and Russia, and additional lines for North American wood pelleting plants.
- Orders for plants for renewable fuels – wood powder grinding – for a Western European power plant were secured.
- Orders for waste pelleting equipment were secured from Germany and the Netherlands.

Research and Development

Following the increased needs of governmental regulations to guarantee sterile feed production, a new product family of long-term conditioners was developed. The aim was to improve the results on product sterilization.

To support the requirements of industrial customers in the animal feed business, high-end capacity pellet mills for large feed factories have been developed, thus further completing the Andritz product range.

Key figures Feed Technology

MEUR	2005	2004	2003	2002	2001
Sales	93.6	99.6	99.2	108.4	107.0
Order Intake	101.2	92.0	102.0	104.7	112.6
Order Backlog as of 31.12.	23.6	16.0	24.5	23.5	27.6
EBITDA	9.8	5.1	7.4	6.1	4.7
EBITDA margin	10.5%	5.1%	7.5%	5.6%	4.4%
EBITA	7.2	2.2	4.8	4.2	0.9
EBITA margin	7.7%	2.2%	4.8%	3.9%	0.9%
Capital investments	0.9	1.6	6.6	5.4	6.7
Employees as of 31.12.	489	482	549	609	676