

CORPORATE STRATEGY

Focus on growth and profitability

The Andritz Group follows a clear strategy. The overall strategic goal is to further consolidate Andritz's strong market position in each of its Business Areas in order to become the leading supplier of production systems and processes with full-line capabilities in all of its industries served. All strategic measures and decisions are focused on continued growth and increased profitability of the Group.

Since 1990, the Andritz Group's Sales have grown by more than 10% p.a. This growth has been based on strong organic expansion through product innovation and R&D, as well as on the acquisition of companies, complementing Andritz's product and technology portfolio. At the same time, and in spite of a very competitive environment, the profitability of the Group has been enhanced by better fulfillment of customer needs for economic production systems, technological leadership, and continuous efficiency improvement measures.

The Group's strategy is based on the following principles:

Focus on existing markets and customers

The Group serves long-term growing markets. Pulp, paper, and steel consumption grows in step with gross domestic product expansion 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 more than 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 a 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 remain 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% (including project-related expenses in connection with customer projects) of the Group's Sales have been spent for R&D over the last few years. In addition, pilot plants are run and operated together with customers. In total, over 300 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.

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 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 result, Andritz has established a well-organized global organization with a presence in all major geographic market areas.

It is Andritz's declared goal to further enhance its strong global reach by improving its service presence and sustaining ongoing business relations with key customers internationally. 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 benefitting from highly-specialized local expertise – also contributes to the 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.

Expansion of Service business

The Service business is an integral part of Andritz's product offerings to its customers. It covers not only the sale of spare parts, but also of engineered wear parts, whose technical features have a great influence on the quality of the customers' end product as well as on the reliability and profitability of the plants and processes. The product portfolio in Service also encompasses daily maintenance 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 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 Service 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. ■