

ANDRITZ, A RESPONSIBLE SUPPLIER AND PARTNER

The Andritz Group has shown strong growth during the last several years. Wolfgang Leitner, President and CEO of the Andritz Group, talks about the challenges of growing a sustainable global business and the responsibilities vis-à-vis its various stakeholders.

Can you summarize the keys to Andritz's growth?

In the last decade, Andritz has emerged as a truly global supplier. Sales – based on complementary acquisitions and internal growth – have increased by more than 14% annually, and we have achieved a solid and stable profitability. A key factor to this success is our strategy of complementary acquisitions which extends the range of products and services we can offer our customers. Another factor is our active R&D, which helps customers better achieve their profitability, sustainability, and environmental goals. This increasing focus on sustainability introduces new responsibilities for us.

What are these new responsibilities?

Although each market segment we serve is unique, there is a common theme among the basic manufacturing industries: the efficient utilization of renewable and sustainable resources. As a supplier of machines and systems to these industries, we have a responsibility to support our customers' activities and collaborate with them to develop sustainable solutions.

We intend to live up to our responsibilities as a global citizen and a local neighbor in the communities where we have a presence. Integrity, persistent values, and a long-term commitment to sustainability offer clear advantages and business benefits for our customers and for us.

What are the key challenges/requirements of your customers?

They have two major challenges: lowering their total costs of production (investment and operating costs) and ensuring that their production is sustainable. Our customers continuously ask, "How can we be more productive while wasting less of our precious resources?" Their focus is on productivity – doing more with less.

This is easier to achieve with a new production line or a new plant. The bigger challenge for our customers is to be more productive and less wasteful with their existing machines and assets. They look to us to help them in achieving their goals.

"The principles of sustainable development are an integral part of our corporate policy."

Wolfgang Leitner



They also want to improve the quality of their production while reducing their costs. This means “doing more with less, without sacrificing.” Again that is where we come in. By focusing our R&D programs on sustainability and “doing more with less,” we have increased the yield (more product per unit of raw material) and reduced the relative volume of the waste for our customers. Waste, after all, is just another word for “pollution.”

Where does sustainability fit into your strategy?

Sustainable development – meeting the needs of the present without compromising the ability of future generations to also meet their needs – has become an integral part of our corporate policy. There are three fundamental pillars for sustainable development: social progress, ecological balance, and economic growth.

The ultimate goal is social progress achieved on the basis of ecological balance. The prerequisite for achieving this is economic growth. Globalization creates economic growth – both in the developed world and, more importantly, in the developing regions. With new jobs come salaries and the ability to have a better life. With the jobs also come training, experience, and ultimately, entrepreneurship. Sustainable enterprises must aim to support free, open markets with stable societies and a fair distribution of the benefits.

Andritz has a strong commitment towards the sustainable development of social life in the emerging markets. For example, in the fast-growing countries of Brazil, China, and India, we have created new jobs by establishing engineering, production, and service sites. The number of Andritz employees working in these countries has increased from 50 in year 2000 to a total of over 1,500 today, thus contributing to social welfare and well-being in these countries. By the way, this was not the result of shifting jobs from Europe to Asia; during this period, Andritz also increased the number of jobs in Europe.

During the last ten years, Andritz delivered the main equipment for several new greenfield pulp mills in South America, India, and China. These mills provide work for more than 3,000 people – many of these newly-created jobs requiring advanced technical or business skills – and more than 15,000 in the forestry and other related branches.

At Andritz, we operate our business in a socially responsible manner. We look for suppliers who are equally committed to economic, environmental, and social stewardship. Our products and processes comply with the highest international environmental standards, not just the standards for the region where the products are being installed.

Can you cite examples of such technological developments?

In Pulp and Paper, our largest Business Area, our patents and developments in yield improvement, low-impact bleaching, water conservation, waste reduction and recycling, and energy efficiency all contribute markedly to sustainability.

An increasingly important area where technology is the key is climate change. The world has entered a new era in which carbon emissions carry a cost and there are economic incentives to reduce emissions. We recently completed a very important project for SCA's Östrand mill in Sweden. The project is centered around the Andritz HERB (High Energy Recovery Boiler) that operates at the highest temperatures and pressures. SCA is now able to produce virtually all its electricity in-house using a “green” fuel which is a by-product of the pulping process. SCA earns green certificates – monetary credit for reducing CO₂ emissions that can be used to produce more electricity that otherwise would have been lost as heat.

In the sustainability chapter of this Annual Report, you can find further examples of our technological developments in the other Andritz Business Areas.

What has been the outcome of this sustainability strategy?

Sustainability is a critical success factor and our actions have been recognized. Our products are well regarded by the industry's top players. Our people are seen as industry and technical experts. Our pronounced increase in Order Intake in every Business Area is proof of this acceptance of our products and strategy.

The positive performance of our share price since the IPO can also be seen as confirmation of the success of our sustainable strategy. We know that our investors are also paying close attention to how – and not simply how

much – profits are generated. Sustainable development criteria are being more and more integrated into the buying decision of investors.

What more needs to be done?

There is much more to sustainability than just environmental impact. Companies that foster innovation can substantially contribute to solving economic or societal problems. In the long run, these are the companies that will succeed.

New technologies will make a key contribution to sustainable development. I know that Andritz has the creativity to bring innovative technologies to market. We are already engaged in technology cooperation with customers in developing countries. This is particularly important in helping these countries achieve social and economic progress.

How will you accomplish this?

Emerging markets account for 15–20% of the world's GDP and are home to 84% of the world's population. They have a right to pursue and achieve a better life according to their dreams. The challenge is to achieve this through sustainable development. Andritz will remain active in bringing products and services that contribute to sustainable development and social progress for the developing areas of the world. Most of our customers also contribute to the social progress and welfare of the emerging markets. We showcase two impressive examples, one from Stora Enso in China, the other from Veracel in Brazil, in the sustainability chapter of this Annual Report.

We reach our goals faster when we work collaboratively with customer and supplier groups to find responsible solutions to social and environmental issues. Sustainable thinking must be incorporated into the minds of all employees, suppliers, and partners. ■