

# CORPORATE STRATEGY

**The overall strategic goal of the Andritz Group is to be the leading global supplier of production systems and services with full-line capabilities in all of its Business Areas. All strategic measures and decisions are focused on continued growth and increased profitability of the Group.**

During the last decade, the Andritz Group has grown by approximately 19% annually. This growth has been predominantly based on strong organic expansion supported by both market growth and product innovation, but also on the acquisition of companies with complementary products and technologies. 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 economical 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

As a leading global supplier of machinery and systems for the production of pulp, paper, and steel, as well as electromechanical equipment for hydropower stations and other environmental equipment, the Group serves industries with long-term growing markets. Within each of these markets, Andritz will continue to focus on the fastest growing segments, e.g. energy production from renewable resources, stainless steel, or tissue paper. 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 preferred technological supplier and 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 provide funds for all promising R&D projects falling into the defined strategic areas.

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 offer all production lines, processes, and services 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. As part of the global Andritz Group, acquired companies can grow very quickly by using the existing, very comprehensive global distribution network of Andritz to market and sell their – often local – products on a global basis.

### Global presence

In all of its Business Areas, the Andritz Group serves leading international companies and in-

dustries with global reach. Fast support and service, together with local expertise, are, therefore, main requirements for Andritz to optimally satisfy the customers' needs. Thus, 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 benefiting 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 most 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

Service 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 products, 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 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.

Andritz will seek to 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 Service 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. ○