ANDRITZ GROUP

Capital Market Day 2014, Austria

1. Update on major topics impacting earnings since last CMD

2. Business areas – market update

3. Main topics 2015

4. Capital Market Days – goals and summary

Update on Montes del Plata

Full production expected for end of 2014

Substantial cost overruns led to sharp decline of profitability in 2013

Q1 2014 still impacted, however no negative impact on earnings since Q2 2014

Mill is in ramp-up phase, producing round-the-clock and expected to reach full production by end of year


Photo: Montes del Plata

Schuler restructuring

Major actions taken in 2014





- Elimination of complex group structures: merger of several German group companies
- Lean managing structure: number of executive board members reduced, distinct reduction of second-level management
- Modified production concept: increased concentration on manufacture of core components, reduction of vertical manufacturing range, and foundry closure
- Introduction of shared services in Germany under way





SEPARATION

Earnings impacting issues to be resolved by end of 2014

2013 and 2014 earnings impacted by product issues in China

Substantial progress achieved on solving low product performance → expected to be fully resolved by end of 2014

Implementation of new organizational structure in order to adjust to market requirements in terms of size and customer demand

Build up improved service set-up

Research and development by ANDRITZ SEPARATION in Vierkirchen, Germany, to optimize centrifuges for the chemical industry

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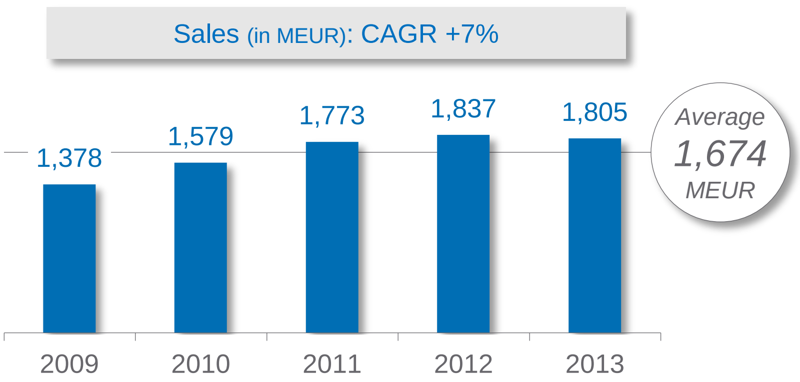
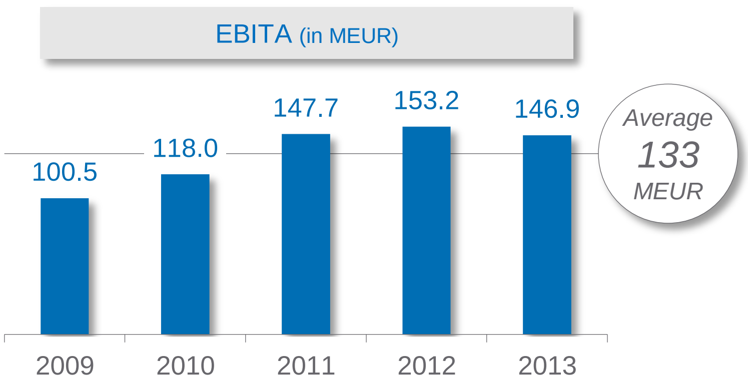
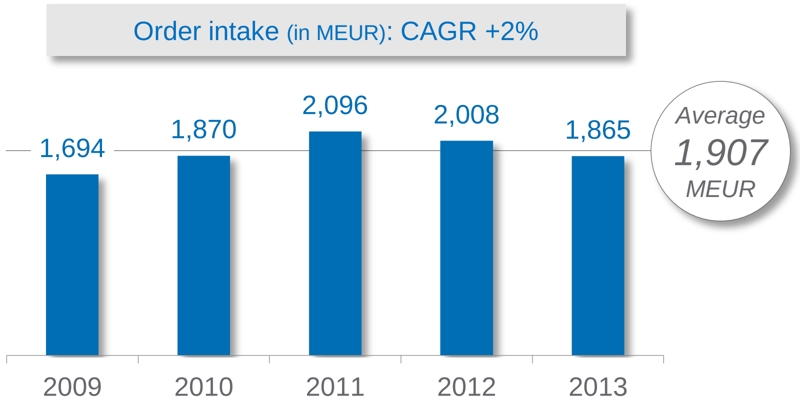
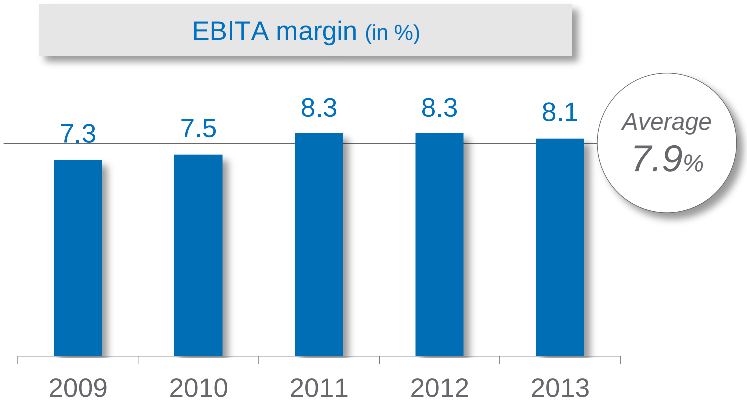
HYDRO

Sales, order intake, EBITA, and EBITA margin 2009-2013









HYDRO

Major past developments and future focus

- >> Sales CAGR 2009-2013 (+7%) substantially below Group growth (+16%), but with higher profitability (average EBITA margin: 7.9%) than the Group (5.9%)
- >> Global market share increased slightly over the last five years despite overall shrinkage of global market for hydropower equipment from peak levels in 2011

Main strategy for the coming years

- >> Maintain/further increase profitability level
- >> Maintain high market share in large hydro and grow at least in line with market
- >> Achieve above-market growth in small hydro
- >> Continue to expand service business
- >> Strengthen product portfolio in pumps and enter new markets

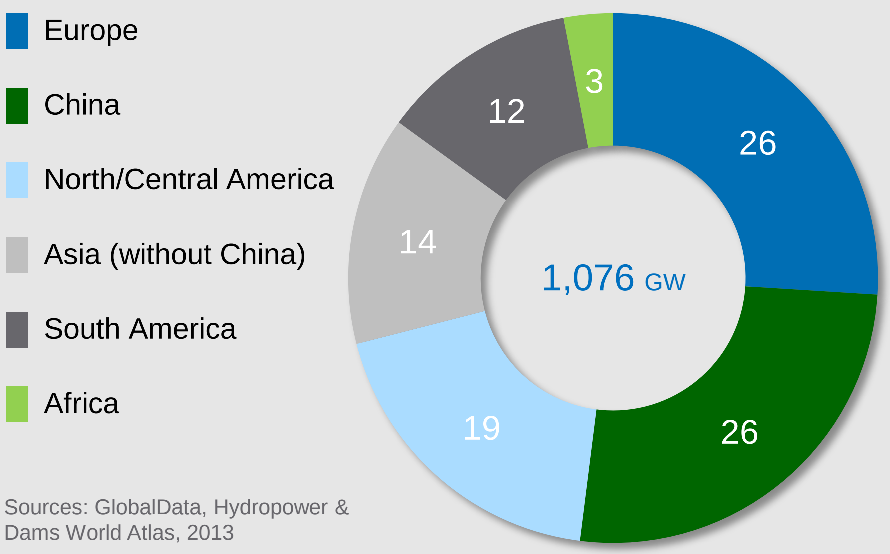
HYDRO

Challenging, but solid market environment

	Large-scale plants	Small-scale plants	Pumps
Market update	>> Solid demand for modernizations >> Pumped storage projects on hold due to low electricity prices >> Greenfield hydropower projects in emerging markets (Africa, South America)	Good activity to continue, especially in emerging markets (high energy demand, low capex needs)	Demand for special pumps to remain high (irrigation, water transport, nuclear, etc.)
Competition	Increasing price competition on selective projects. Main competitors: GE/Alstom, Voith		
Outlook	Stable +	Slightly up	Slightly up

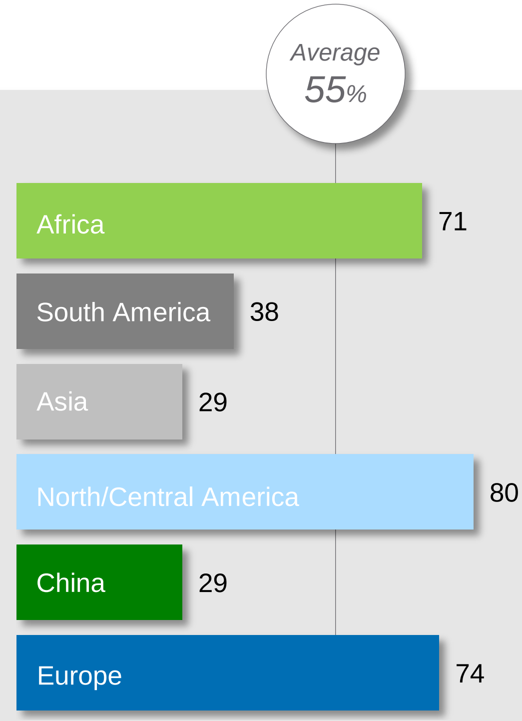
Favorable modernization potential: more than half of hydropower capacity installed worldwide over 30 years old

Installed hydropower capacity 2013
by region in %



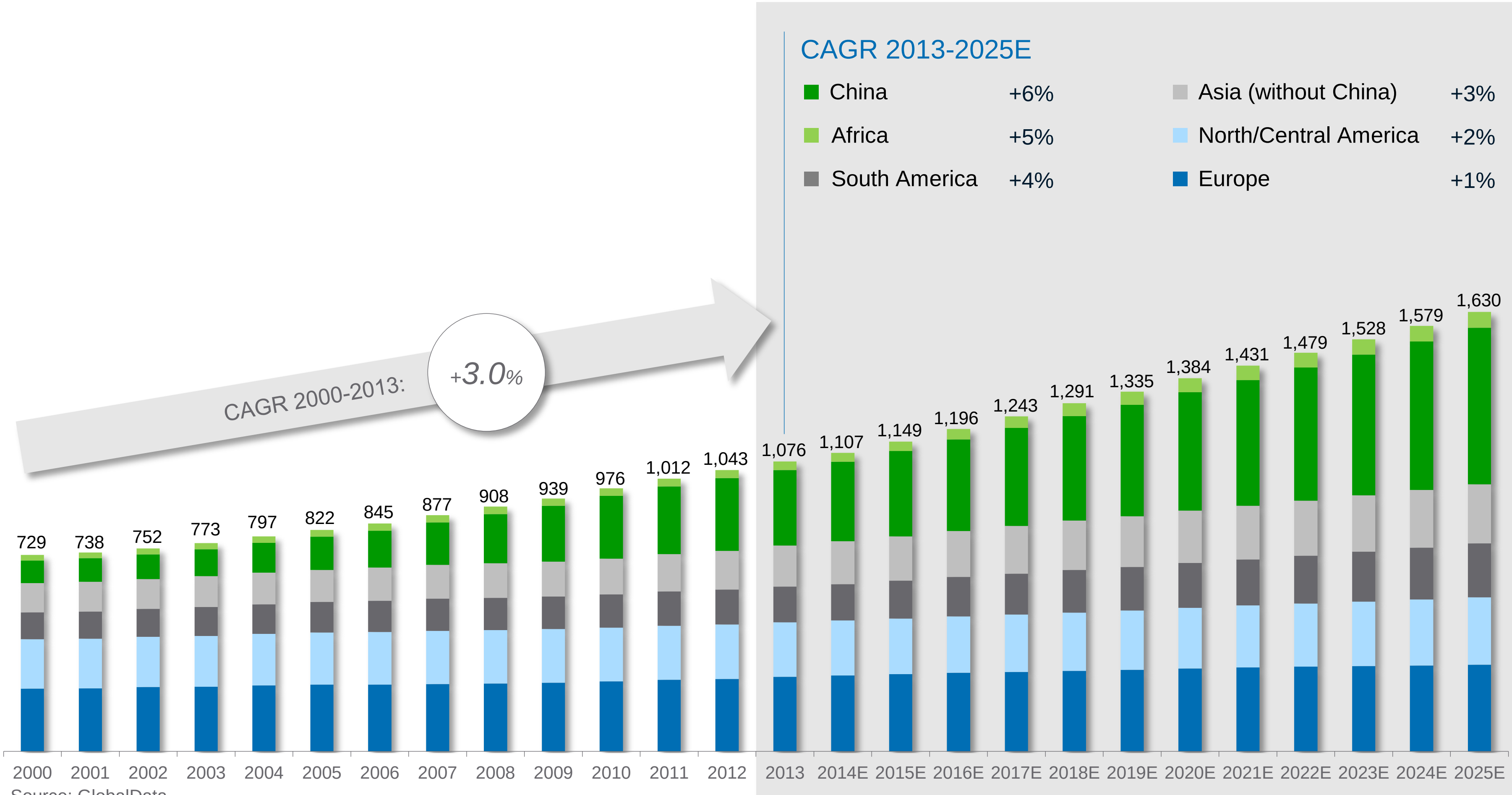
Sources: GlobalData, Hydropower & Dams World Atlas, 2013

Units over 30 years old
(in % of installed capacity in operation)



Cumulative installed hydropower capacity in GW (I)

Average annual growth of 3.5% expected for 2013-2025

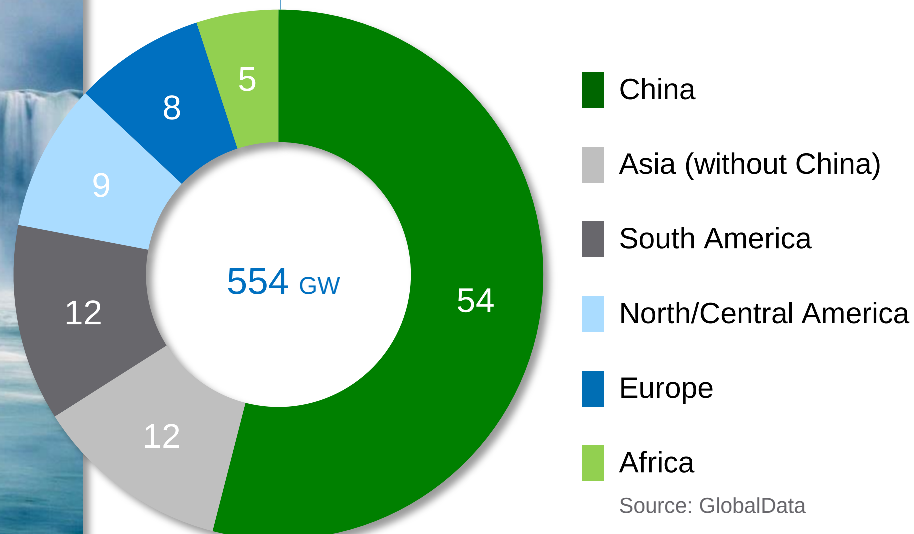


Source: GlobalData

Cumulative installed hydropower capacity in GW (II)

Strongest expected growth in China

Hydropower capacity increase 2013-2025E:
+554 GW, thereof (in %) …



Source: GlobalData

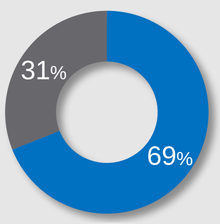
Strong potential in South America

Example Brazil

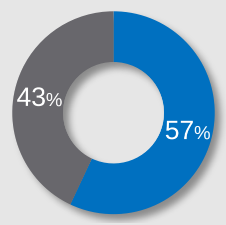
>> Very tight energy supply, but no new capacities due to anti-business electricity pricing of current government

>> Brazil could/should spend 66 bn. EUR expanding its power generation capacity in 2013-2022; thereof …

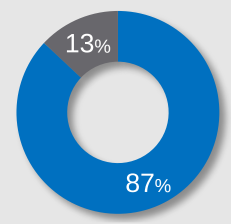
… hydropower:
36 bn. EUR



… solar, biomass, and
wind: 27 bn. EUR



… thermal*:
3 bn. EUR

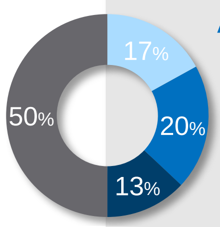


* Nuclear, gas, coal,
fuel oil/diesel

Plants approved by governmental authorities

Planned plants

Typical supply split for
hydropower plants



ANDRITZ's potential scope of supply is ~18 bn. EUR:

- Electromechanical equipment
- Mechanical equipment
- Generators
- Civil and erection work (not ANDRITZ)

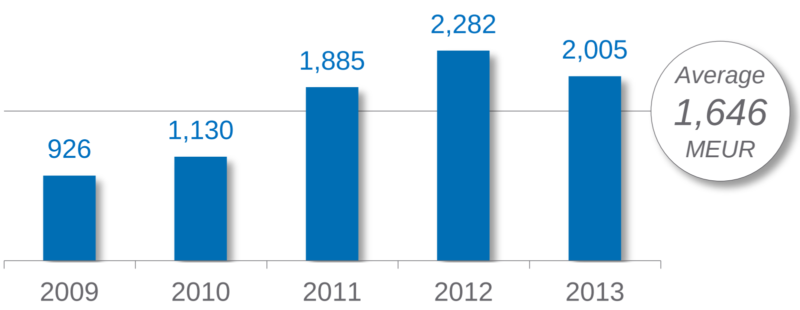
Planned projects > 1,000 MW	River	MW	Planned start-up
São Luiz do Tapajós	Tapajós	6,133	2019
Jatobá	Tapajós	2,338	2020
Salto Augusto Baixo	Juruena	1,461	2022
São Simão Alto	Juruena	3,509	2022
Marabá	Tocantins	2,160	2022

Source: Ministério de Minas e Energia, January 2014; FX-rate EUR/BRL as of July 31, 2014

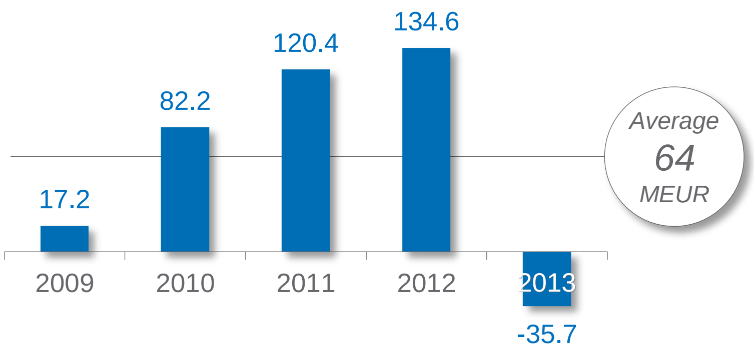
PULP & PAPER

Sales, order intake, EBITA, and EBITA margin 2009-2013

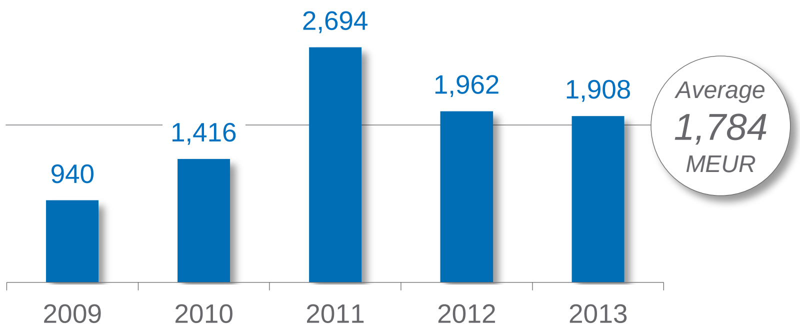
Sales (in MEUR): CAGR +21%



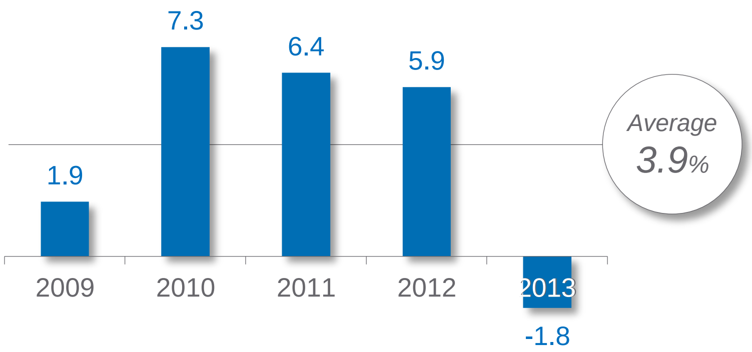
EBITA (in MEUR)



Order intake (in MEUR): CAGR +19%



EBITA margin (in %)



PULP & PAPER

Major past developments and future focus

Sales CAGR 2009-2013 (+21%) substantially above Group growth (+16%), mainly driven by large greenfield orders and, to a lesser extent, acquisitions, however …

- >> EBITA margin declined due to increasing price competition
- >> Poor performance in execution of certain EPC contracts
- >> Some divisions within the capital segment developed below expectations due to market conditions and some internal reasons (bioethanol, torrefaction, plastic films, packaging, and flue gas cleaning)
- >> Sales growth in service, at ~18% p.a., lower than in capital sales – however, margins remained at stable level during the past five years

Main strategy for the coming years

- >> Focus on long-term growth areas within PULP & PAPER
- >> Reduce or exit from non-performing segments
- >> More selective approach to EPC projects; focus on better terms, pricing, and risk mitigation
- >> Further professionalize execution and controlling of projects where civil/erection work is included
- >> Further expand service business and maintain/increase profitability

PULP & PAPER

Good project activity, but fierce competition

	Pulp	Paper/packaging	Nonwoven/plastic film	Service
Market update	>> Investments in greenfield pulp mills to continue >> Modernization projects to increase capacity, efficiency, and profitability of existing mills >> Green energy investments >> Some selective biomass pelleting projects	>> Stable demand for tissue and containerboard machines, predominantly in emerging markets >> More stringent quality requirements for food packaging	>> Stable and good project activity for nonwoven >> Good potential in certain niches >> Plastic film: sharp market decline due to overcapacity	Good potential to grow organi-cally and by acquisitions
Competition	Unchanged stiff price competition. Main pulp competitor: Valmet			
Outlook	Stable +	Stable +/-	Stable +/-	Slightly up

Long-term average growth potential:
2-3% p.a.

ANDRITZ

PULP & PAPER

12 major greenfield pulps mills expected during next five years

Chile:

Owner – project	Capacity/a.*	Planned start-up
Arauco – Bio-Bio	1.6	2018 et seq.

Brazil:

Owner – project	Capacity/a.*	Planned start-up
Eldorado – Três Lagoas	2.3	2017 et seq.
Fibria – Três Lagoas	1.8	2017 et seq.
Veracel – Eunápolis	2.0	2018 et seq.
Braxel – Peixes	1.5	2018 et seq.
Eco Brasil Florestas – Tocantins	1.5	2018 et seq.
Mato Grosso do Sul – Ribas do Rio Pardo	1.8	2018 et seq.
Suzano – Imperatriz	1.3	2018 et seq.
Fibria – Aracruz	1.7	2018 et seq.

Mozambique:

Owner	Capacity/a.*	Planned start-up
Portucel	1.5	2020 et seq.

Finland:

Owner – project	Capacity/a.*	Planned start-up
Metsä Group – Äänekoski	1.3	2017 et seq.

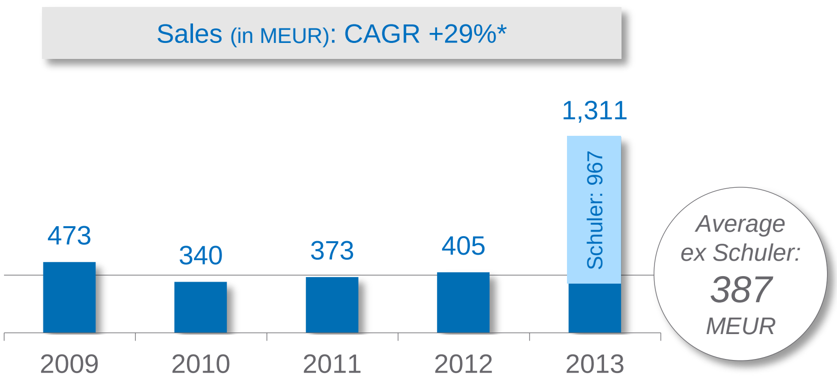
China:

Owner – project	Capacity/a*	Planned start-up
Guangxi Jingui – Qinzhou City	1.2	2018 et seq.

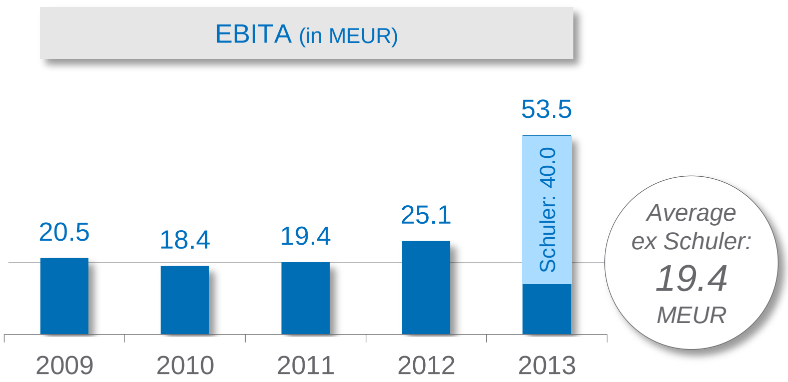
* Annual capacity in million tons; source: Pöyry. Capacity/year refers to added gross capacity (i.e. relevant as accessible market) without taking possible shut-downs of existing capacities into account

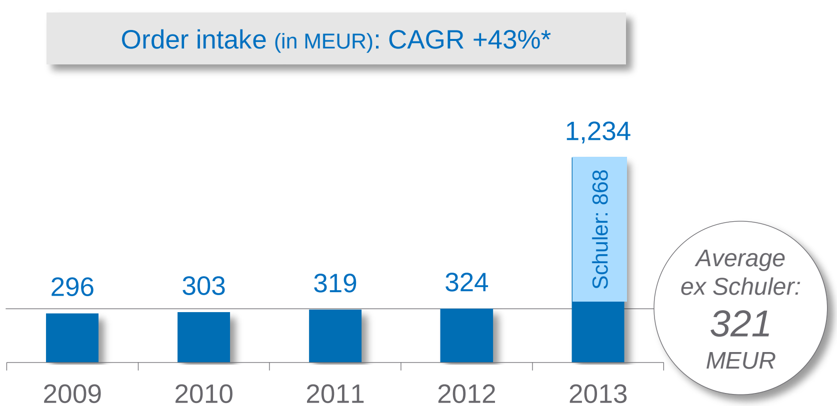
METALS

Sales, order intake, EBITA, and EBITA margin 2009-2013

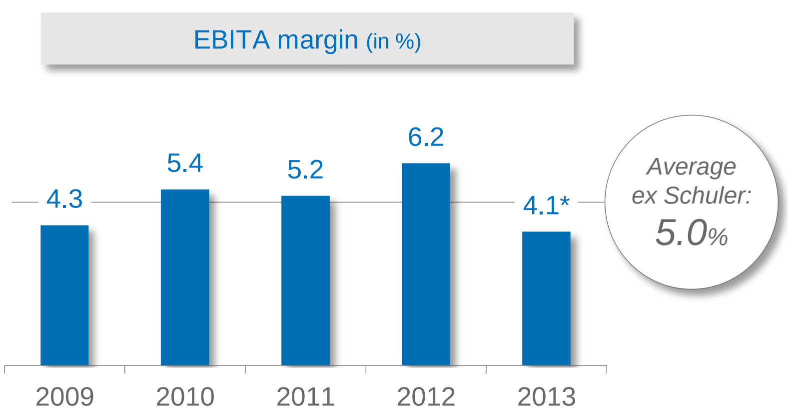


* -8% ex Schuler





* +5% ex Schuler



* Schuler: 4.1% (8.4% before restructuring expenses)

METALS

Major past developments and future focus

- >> Sales CAGR 2009-2013 (+29%) substantially above Group growth (+16%) mainly due to Schuler acquisition (CAGR ex Schuler: -8%)
- >> Average EBITA margin below Group margin due to low sales volume and challenging competitive environment

Schuler's main strategy for the coming years

- >> Maintain high market share in metalforming equipment for automobiles
- >> Expand product portfolio for mid/small capacities
- >> Expansion of service and non-automotive businesses
- >> Concentrate on manufacturing of core components
- >> Expand manufacturing in Asia

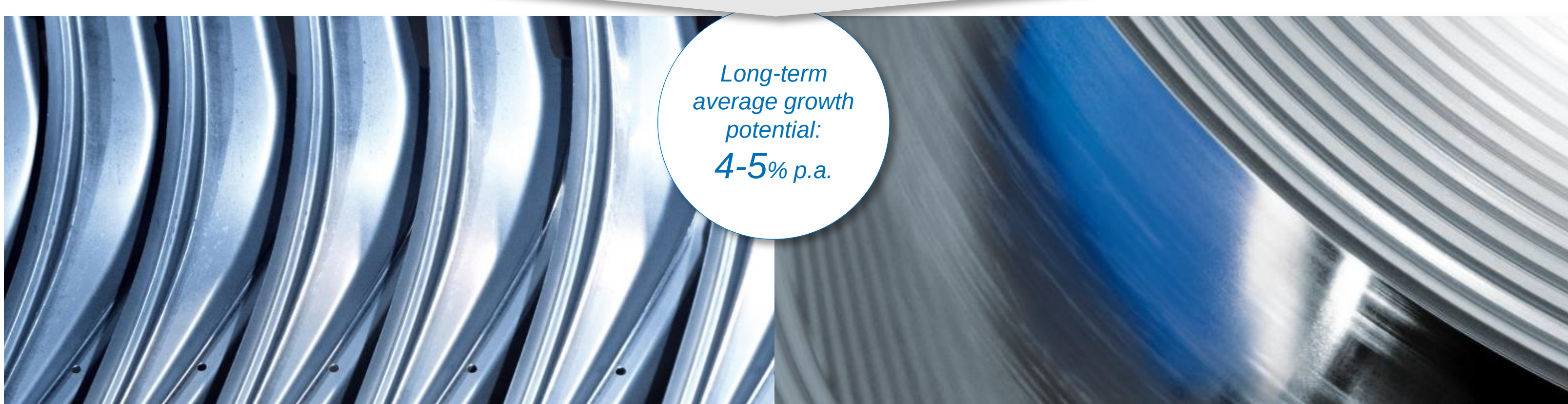
Main strategy for the coming years for METALS ex Schuler

- >> Adjust organization to shrunk stainless/ carbon steel market
- >> Further strengthen growing market share in aluminum (furnaces and processing lines)
- >> Increase service volume (from today's 9%) over the next few years

ANDRITZ

METALS: good project activity in metalforming, aluminum, and furnaces – unchanged low activity in carbon/stainless steel

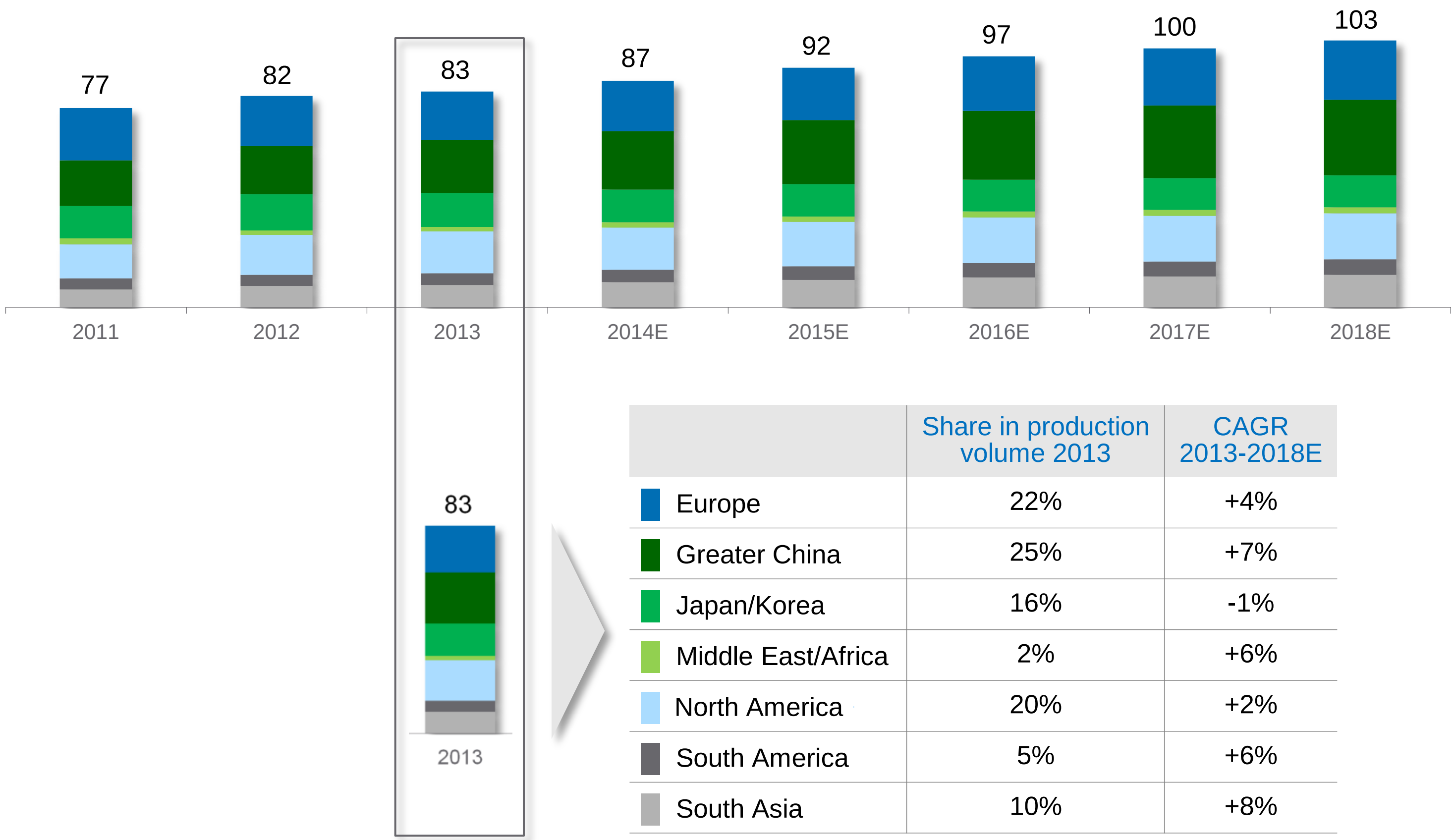
	Metalforming	Stainless steel	Furnaces
Market update	>> Good demand from automobile manufacturers continuing, especially in Asia and Americas >> Stable demand from other industries	Investment activity to remain at low level, some investment projects planned in Q4 2014/H1 2015	Good demand to continue
Competition	Stable competition at challenging level		
	Main competitors from Japan and China	Main competitors: Danieli, SMS, Mitsubishi/VAI	
Outlook	Stable +	Stable -	Stable +



Long-term growth of automobile production

to support growth of Schuler

Global production volume in million car units (CAGR global 2013-2018E: +4%)

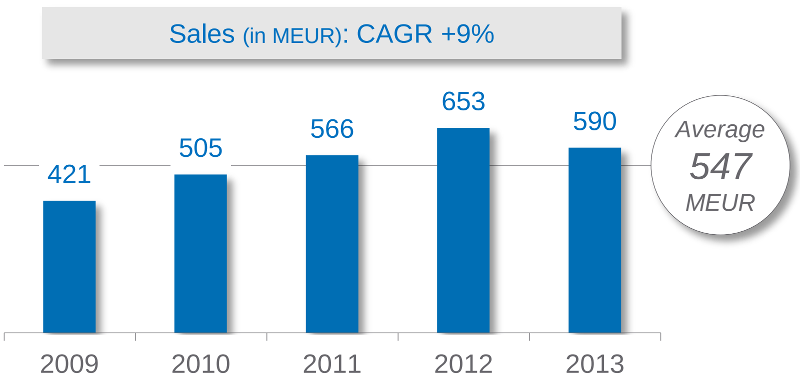


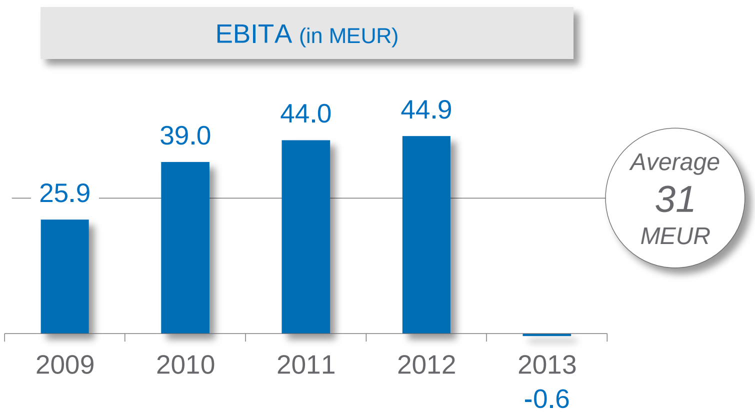
	Share in production volume 2013	CAGR 2013-2018E
Europe	22%	+4%
Greater China	25%	+7%
Japan/Korea	16%	-1%
Middle East/Africa	2%	+6%
North America	20%	+2%
South America	5%	+6%
South Asia	10%	+8%

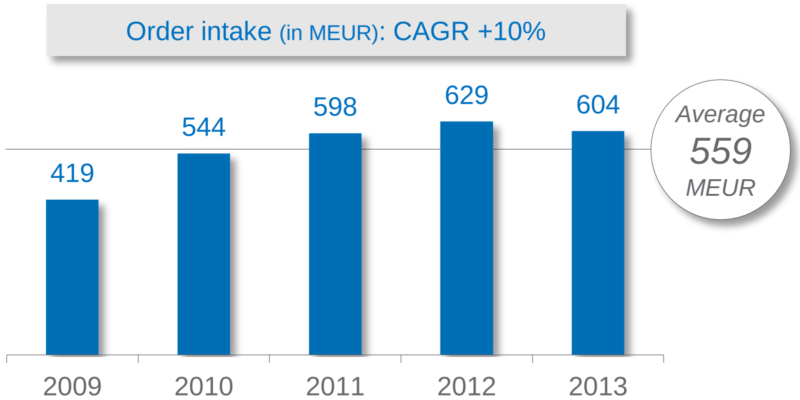
Source: IHS Global Insight

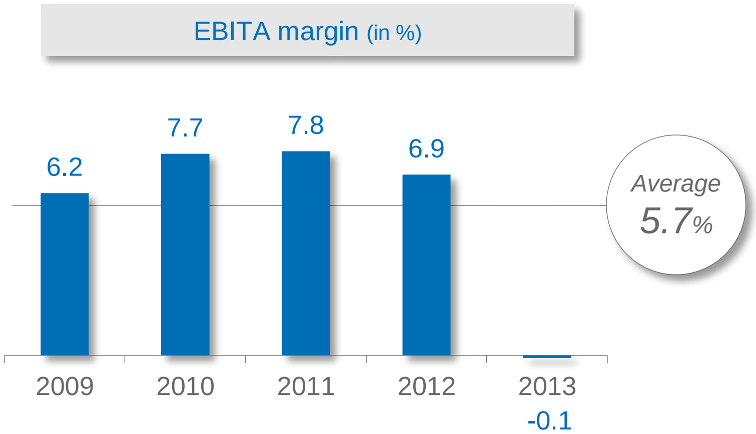
SEPARATION

Sales, order intake, EBITA, and EBITA margin 2009-2013





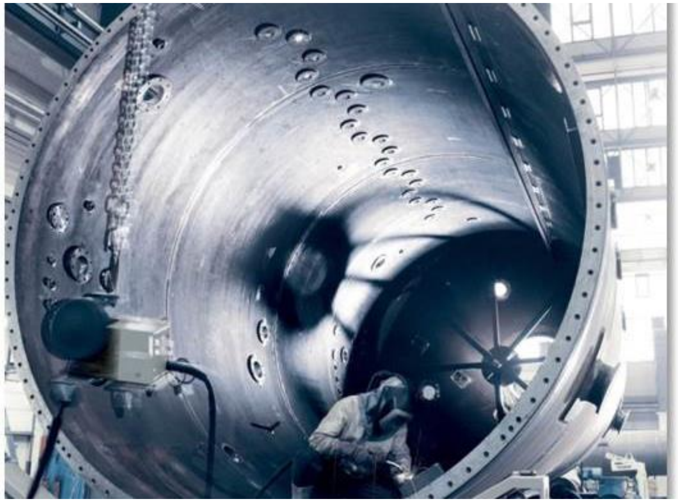




SEPARATION

Major past developments and future focus

- >> Sales CAGR 2009-2013 (+9%) substantially below Group growth (+16%) due to weak mining/minerals and chemicals segments
- >> Average business area margin usually higher than Group level (except for last year) because of high service portion (40%)
- >> Too complex organizational structure and some product performance issues led to drop in sales and strong decline in earnings
- >> Solid development of food processing segment → positive development by ANDRITZ Gouda, acquired in 2012



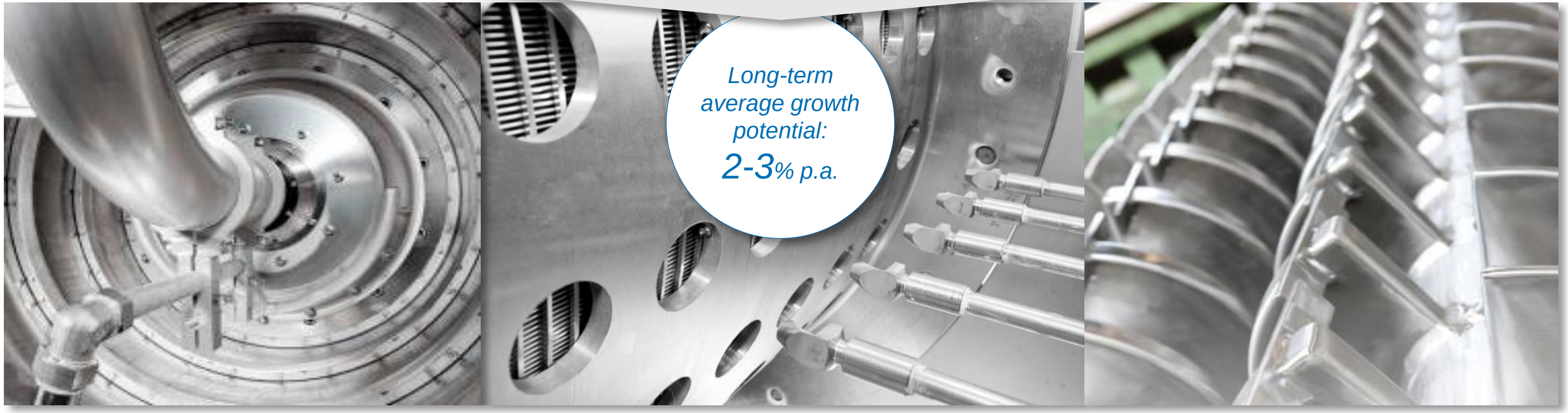
Main strategy for
the coming years

- >> Make new organization succeed
- >> Improve competitiveness of products and expand service business by building up service presence in growth markets
- >> Reduce operating expenses, transfer production to low-cost countries
- >> Focus on achieving growth by acquisitions and organic growth

SEPARATION

Varied project activity in different markets

	Municipal	Industrial	Feed	Biomass pelleting
Market update	Investment activity at reasonable levels, mainly in developed markets	>> Reasonable demand in food processing >> Low project activity in mining/minerals and chemicals	Continuing at solid level	Stable demand to continue
Competition	Very fragmented market with global and regional competitors			
Outlook	Stable +/-	Stable -	Stable +	Stable +



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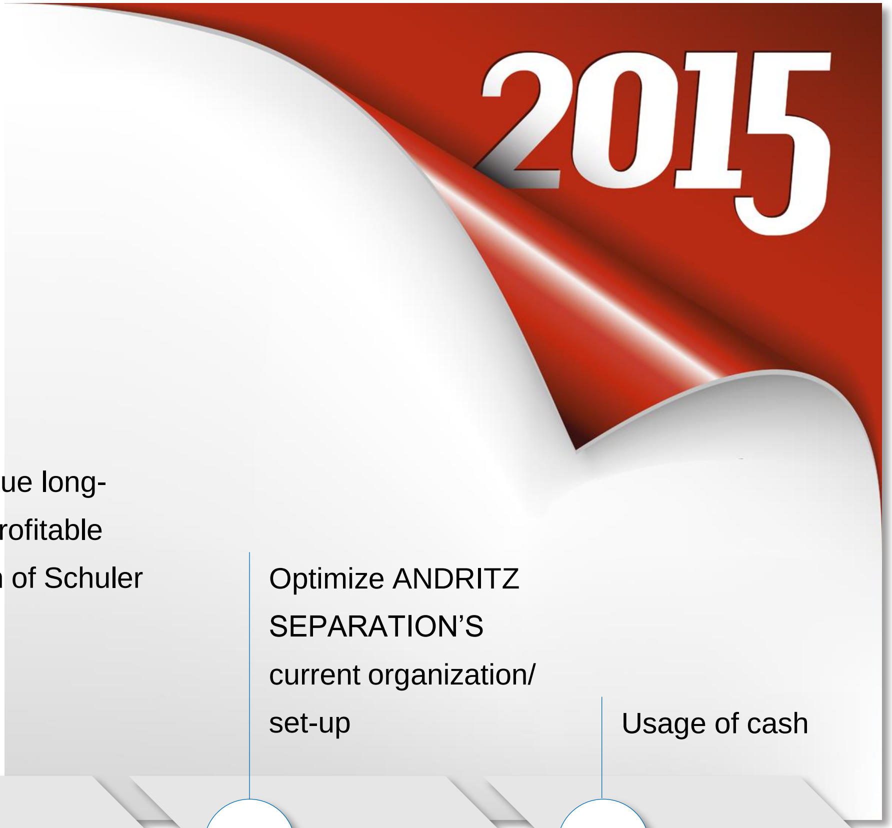
Roadmap 2015

Main topics



1. Restructure product segments with limited long-term market growth or earnings potential
2. Further improve cost position
3. Continue long-term profitable growth of Schuler
4. Optimize ANDRITZ SEPARATION'S current organization/ set-up
5. Usage of cash

Photo: Shutterstock

Topic 1: Restructure product segments

with limited long-term market growth or earnings potential

Photo: Shutterstock

Main selection criteria:

- >> Limited long-term market growth potential
- >> Overcapacity situation in end markets
- >> Weak competitive position
- >> Not part of ANDRITZ's core business
- >> Low level of synergies with other business areas/divisions

Strategic review of product portfolio and newly integrated companies as an ongoing process

Expanding into new markets/products with higher growth opportunities

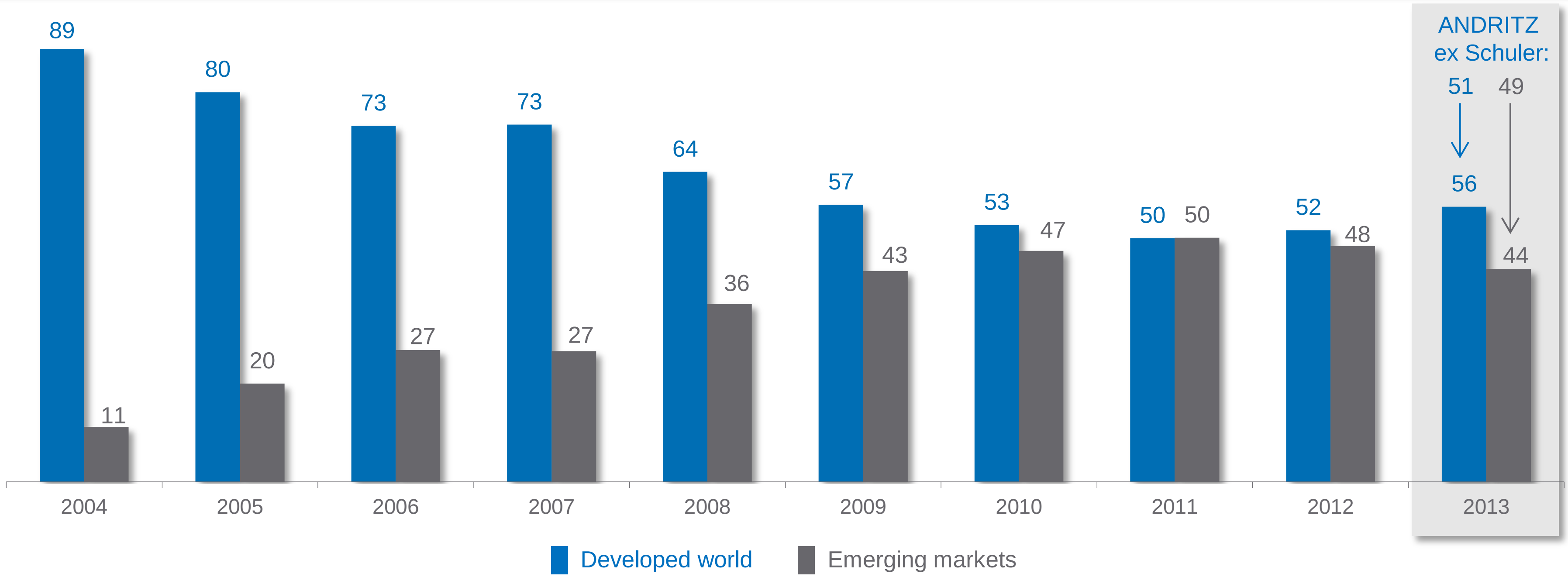
Focus on core businesses and products with long-term growth potential

Topic 2: Improve cost position

Further shift of manufacturing capacities to emerging markets

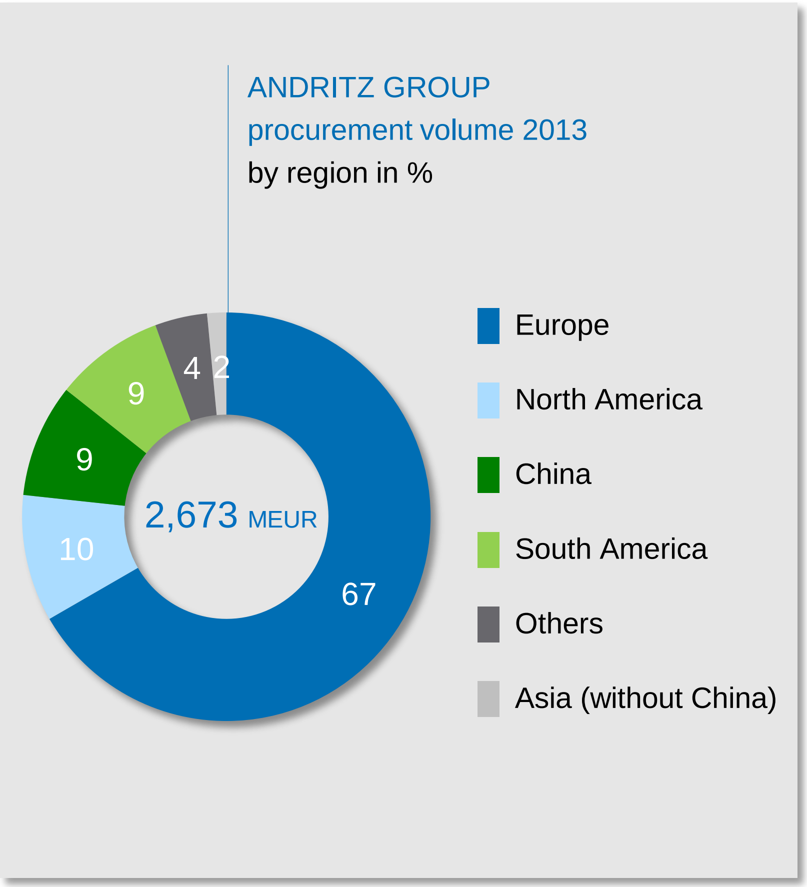
- Continue to shift production from developed world to emerging markets → goal of 50% by 2017 vs. 44% in 2013

Split of ANDRITZ production capacities by region (in %)



Manufacturing

High flexibility due to global outsourcing



- Focus on manufacturing of key components (A parts)
- Maintain outsourcing of C parts; outsourcing of B parts depending on own workload
- Further reduce costs
- Consistently use temporary staff
- Increase production capacities in emerging markets to serve both local and global markets
- Focus on productivity and efficiency
- Increase level of automation at manufacturing locations in high-cost countries (e.g. robot systems technology)

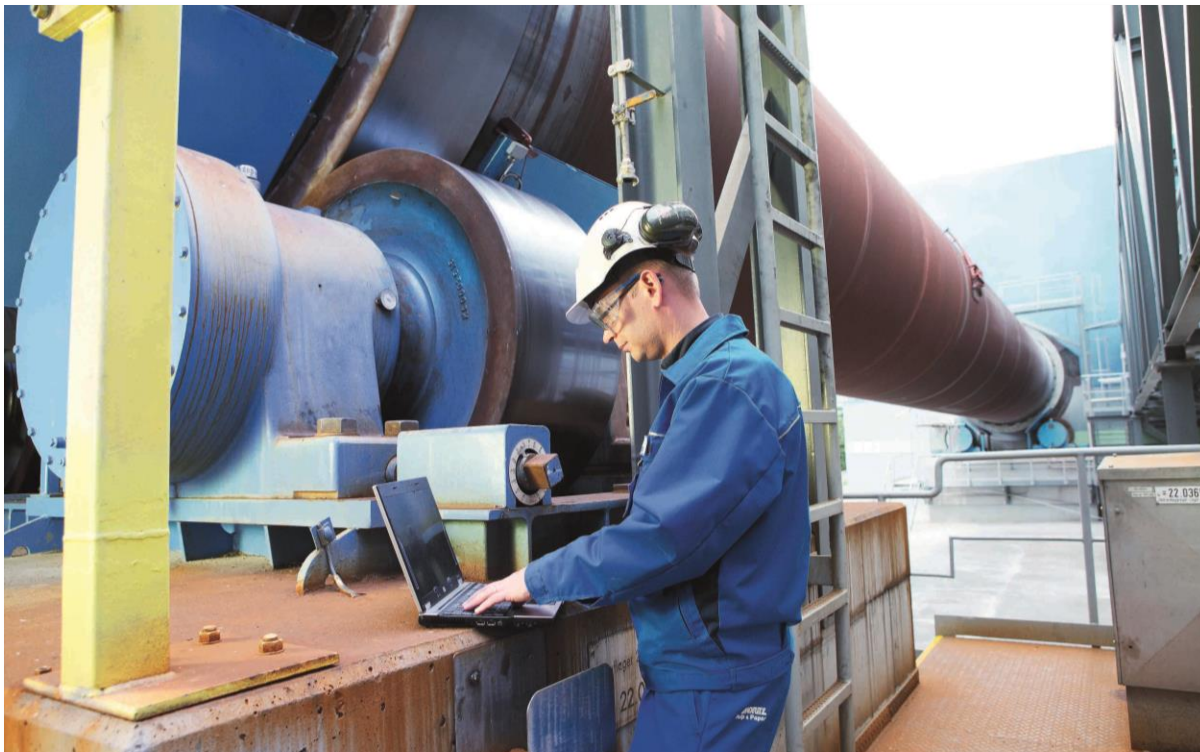
Focus on service

EBITA margin substantially above Group average

Good potential to grow organically and by acquisitions

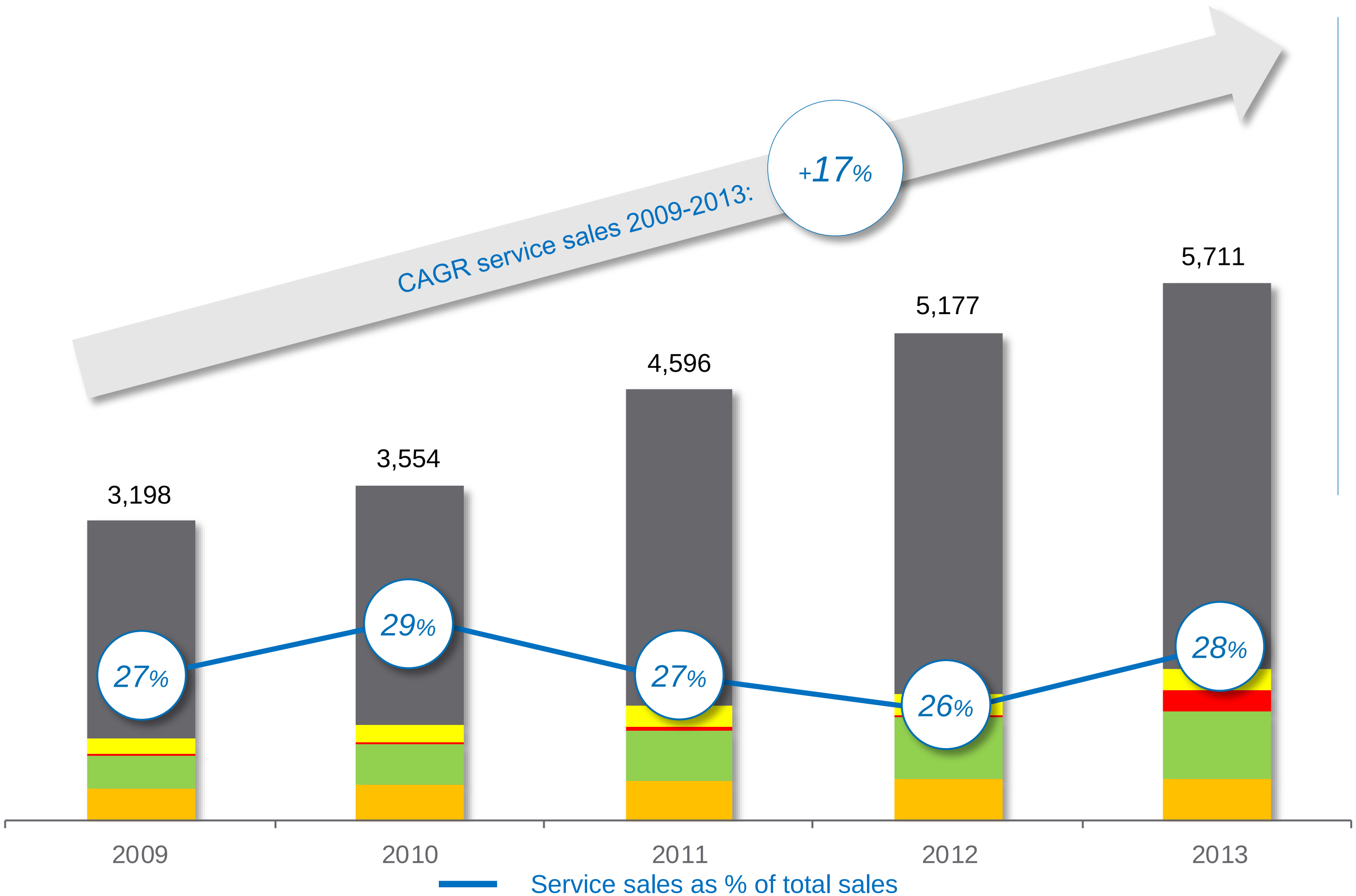
Increased importance of life cycle support (day-to-day business)

Strong contribution towards customer satisfaction



Development of service sales

Strong contribution towards overall sales growth since 2009



CAGR sales 2009-2013:

Capital sales:	+15%
SEPARATION service sales:	+10%
METALS service sales:	+98%*
PULP & PAPER service sales:	+18%
HYDRO service sales:	+8%

* +6% ex Schuler

Topic 3: Schuler

Continue long-term profitable growth

Cupping press, designed for production of 3,000 cans per minute

SCHULER
Member of the ANDRITZ GROUP

Long-term EBITA margin goal:

8.5%

Annual cost savings 2015E et seq.:

15-20 MEUR out of restructuring

Schuler's strategy program:

- >> Reduce complexity
- >> Develop products for B-segment markets
- >> Create new production concept
- >> Expand production in emerging markets

Topic 4: SEPARATION

Optimization of current organization/set-up in 2015

ANDRITZ decanter centrifuges for Sungai Semenyith, Malaysia, one of the largest drinking water treatment plants in South East Asia

Main focus of reorganization:

- >> Straight-line organization
- >> Empowered product homes
- >> Customer focus
- >> Competitive machines

Profitability actions:

- >> Competitive product portfolio
- >> Optimized product costs
- >> Transfer of manufacturing to low-cost countries
- >> Further reduction of operating expenses

ANDRITZ

Topic 5: Usage of cash with good balance between acquisitions, attractive dividends, and strong balance sheet

Photo: Shutterstock

Continue to look out for complementary acquisitions in existing business areas

Maintain payout ratio at 50% and potentially move it up to 60%

Share buy-back mainly for stock option program

Strengthen tangible equity ratio*:

2008	2009	2010	2011	2012	2013
10%	13%	13%	14%	13%	2%

* (Total shareholders' equity – goodwill – intangible assets) / (total assets – goodwill – intangible assets)

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4. **Capital Market Days – goals and summary**

Review of Capital Market Day goals:

Dividend goals achieved, EBITA margin goal pending

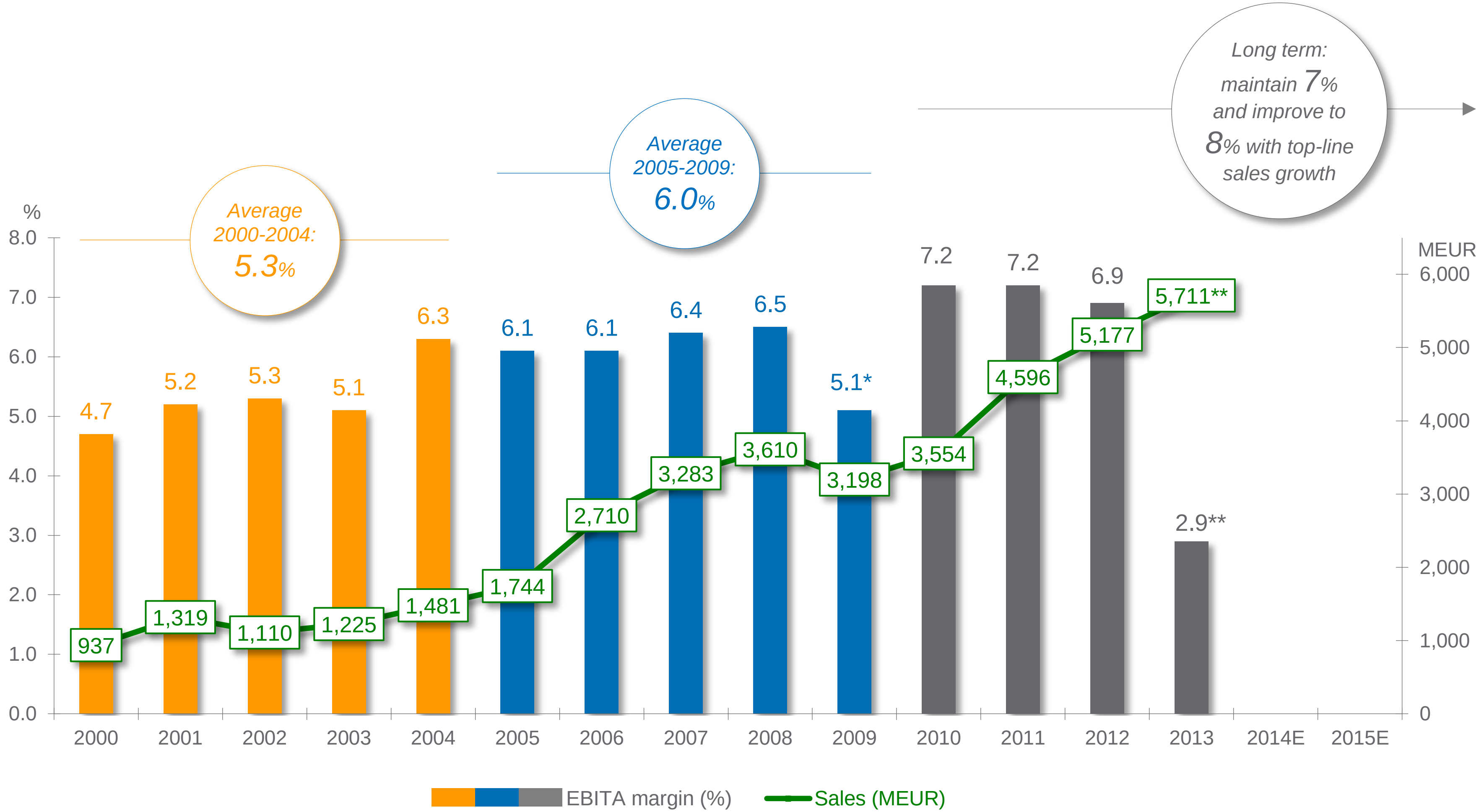
Goal achieved | Goal not achieved | Goal pending

	2007	2008	2009	2010	2011	2012	2013
Sales:	3.0 bn. EUR			Share of renewable energy sales >50%	4.0/4.5 bn. EUR	5.0 bn. EUR	
EBITA margin:		7.0% (achieved 6.5%)	7.0% (achieved 5.1%*)	7.0% over the cycle >> Goal achieved in 2010 and 2011: 7.2% in each case >> Goal almost achieved in 2012: 6.9% >> Average 2010-2013: 6.1%			Regain 7.0% (achieved 2.9%)
Payout ratio:		~40%		~50%	~50%	~50%	~78%

* Excluding restructuring expenses: 6.0%

Target to continue long-term profitable growth

Goal: maintain 7% and improve to 8% with top-line sales growth



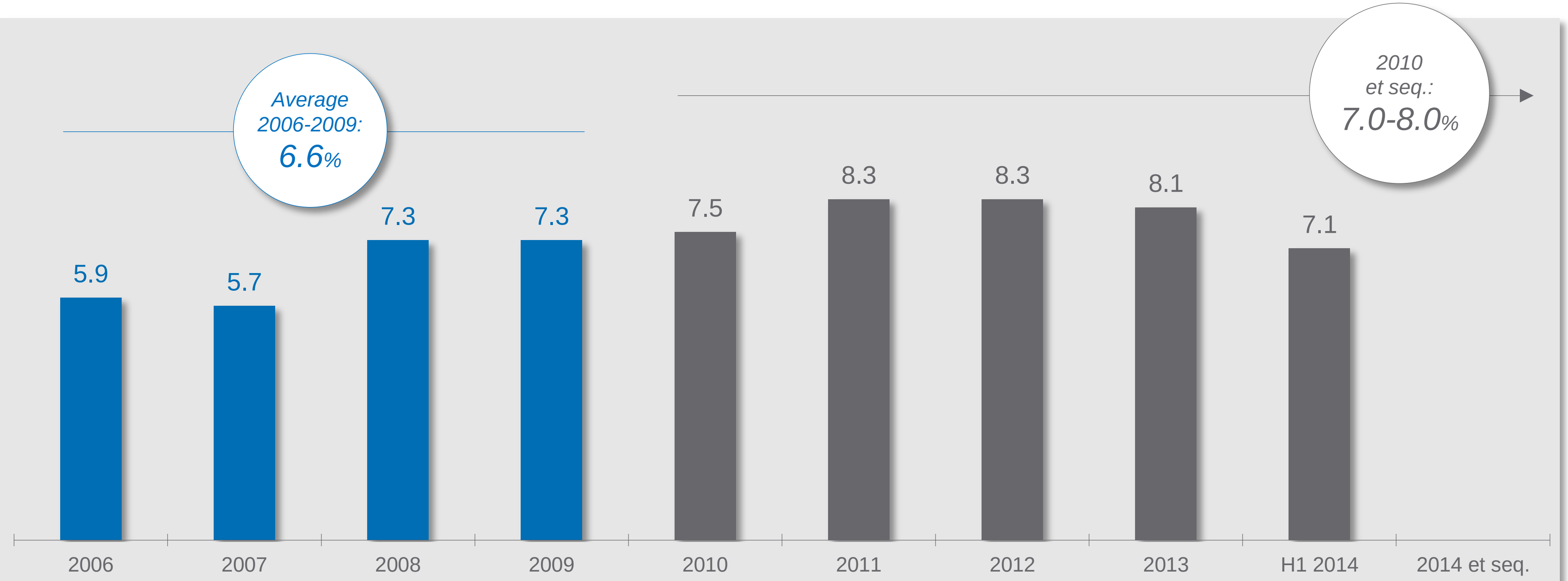
* Including restructuring expenses ** Including Schuler as of March 1, 2013; no pro forma figures are available for the reference periods of previous years

EBITA margin goal HYDRO

7.0-8.0%

Factors influencing margin:

- >> Execution of some large orders
- >> Competition from Asia?
- >> Impact from new JV GE/Alstom remains to be seen



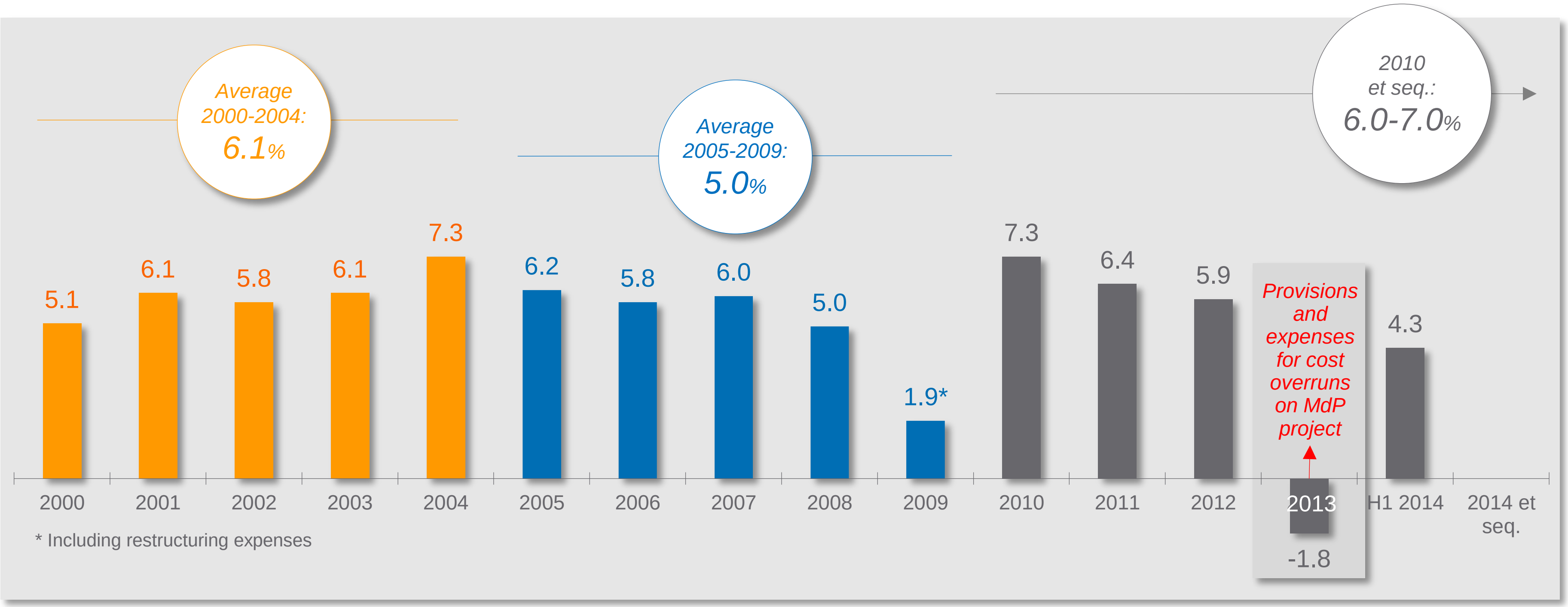
Figures before 2006 (acquisition of VATECH Hydro) are not representative/applicable for comparison with today's HYDRO business area

EBITA margin goal PULP & PAPER

6.0-7.0%

Factors influencing margin:

- >> Large order execution
- >> Share of service business/wear parts lower than competitors'
- >> Pricing environment on large projects

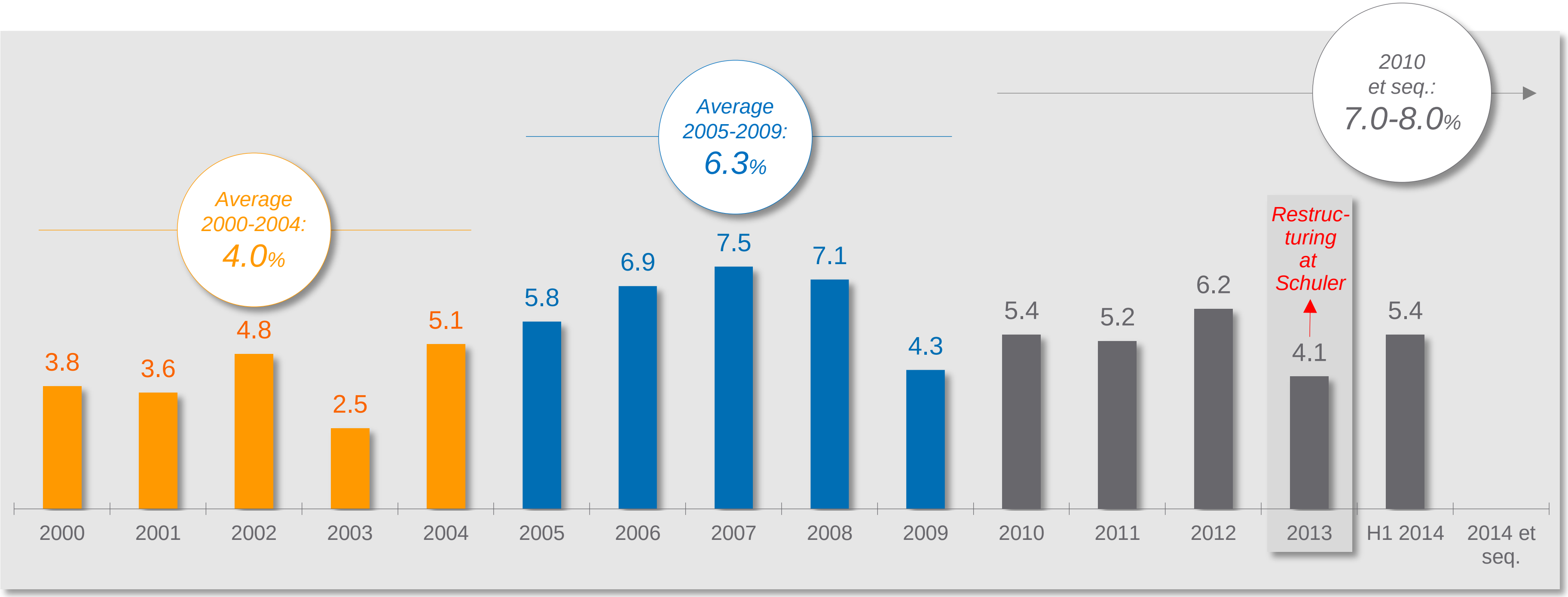


EBITA margin goal METALS

7.0-8.0%

Factors influencing margin:

- >> Development of automobile market
- >> Expansion of service business
- >> Success of Schuler restructuring
- >> Unchanged low investment activity in stainless steel due to ongoing overcapacities
- >> M&A



EBITA margin goal SEPARATION

8.0-9.0%

Factors influencing margin:

>> Cost overruns on some projects

>> Investment in expansion of service business and new markets

>> M&A

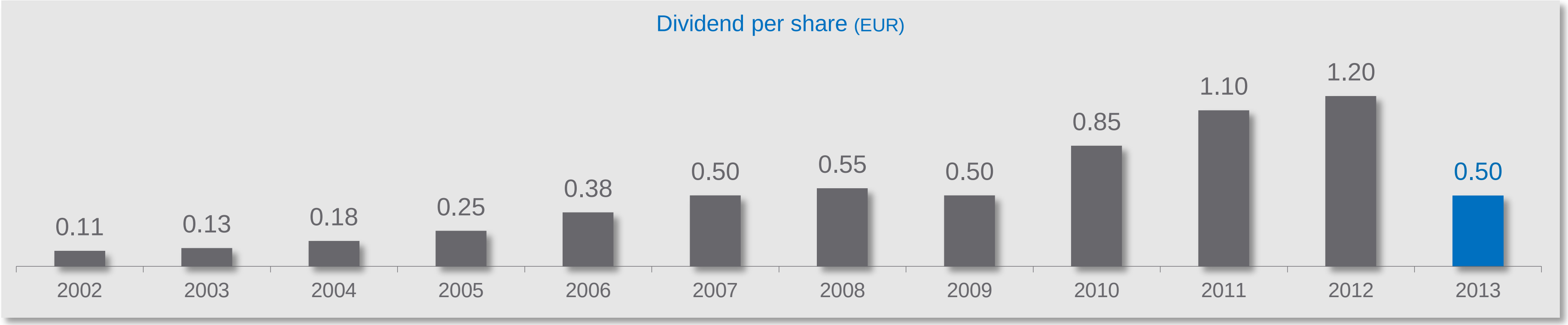
Confirmation of dividend payout ratio goal

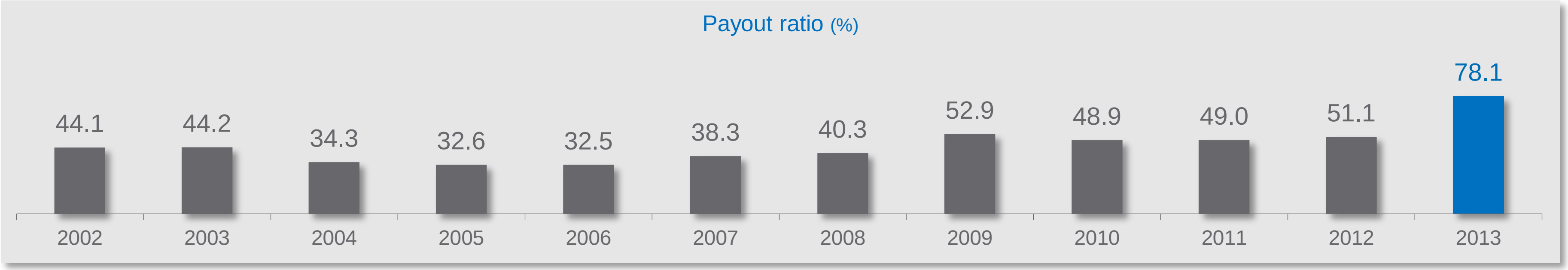
Consistent dividend policy

Dividend goals:

>> Maintain payout ratio at a minimum of ~50%

>> Mid-term increase to ~60%





Summary and goals

Summary:

- >> Continuation of long-term structural trends within all four business areas should support continued long-term organic growth of ANDRITZ
- >> Acquisitions will remain strategic focus to complement product range and support long-term growth
- >> Focus on cost optimization and projects with reasonable risk/reward profile
- >> Challenging competitive environment to continue

Capital Market Day goals 2014:

- >> Sales: achieve long-term growth of 5-8% p.a. depending on market growth and acquisitions
- >> EBITA margin: regain 7% and improve to 8% with top-line sales growth
- >> Dividend: payout ratio of at least ~50% and mid-term increase to ~60%
- >> Service: increase share of service sales to 30% by 2016

ANDRITZ GROUP

Capital Market Day 2014, Austria