



RESULTS FOR 2019

ANDRITZ GROUP

MARCH 4, 2020

ANDRITZ

ENGINEERED SUCCESS

CHAPTER OVERVIEW



01 FY 2019 AT A GLANCE

02 PERFORMANCE FY 2019 AND
MARKET UPDATE

03 UPDATE OF BUSINESS AREAS

04 OUTLOOK

FY 2019 AT A GLANCE



Record order intake and sales, decline of earnings due to restructuring measures

- **Group order intake, at 7.3 billion euros**, reaches new record high → driven by Pulp & Paper which booked some large greenfield pulp mill orders as well as orders for recovery and power boilers
- **Order Backlog, at 7.8 billion euros**, provides solid workload for 2020
- **Sales** increased to over **6.6 billion euros**, reaching new high, mainly driven by Pulp & Paper
- **EBITA impacted by restructuring measures** for capacity adjustments in the amount of **113 MEUR**, mainly for Schuler
- **Profitability (EBITA margin) adjusted** by extraordinary items amounts to **6.8%**, thus practically at same level of last year (2018: 6.9% adjusted)



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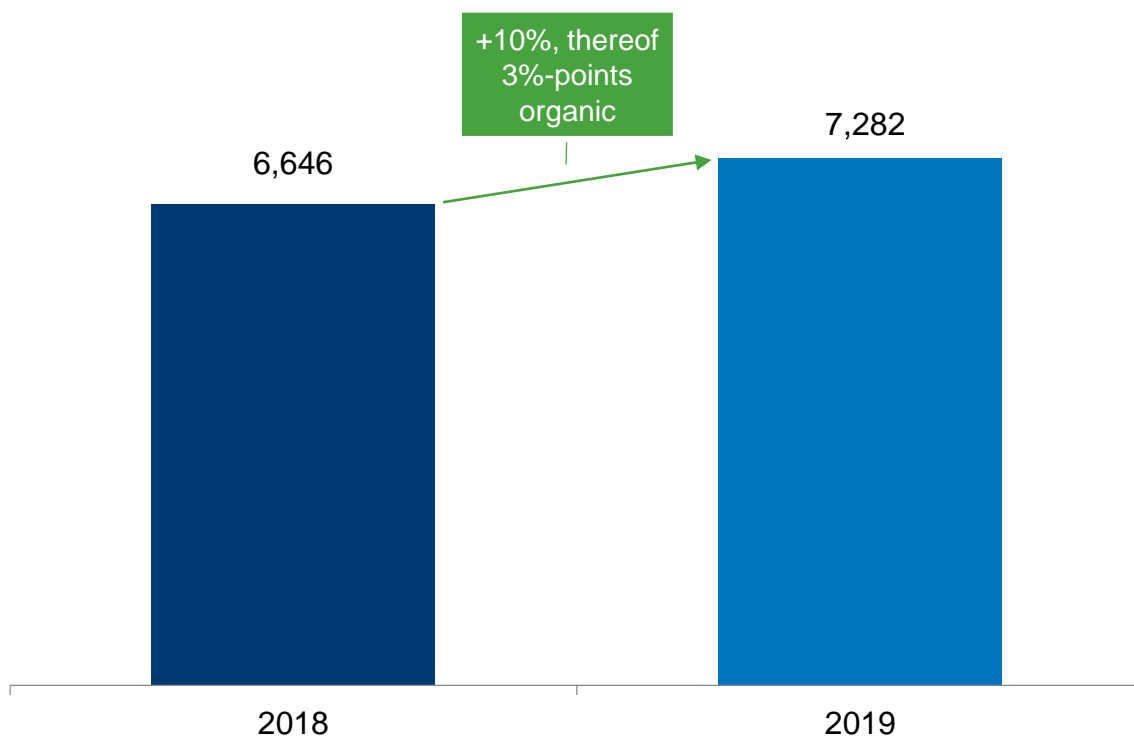
04 OUTLOOK

RECORD ORDER INTAKE



Strong development of Pulp & Paper more than compensates decline in Metals and Hydro

ORDER INTAKE (IN MEUR)



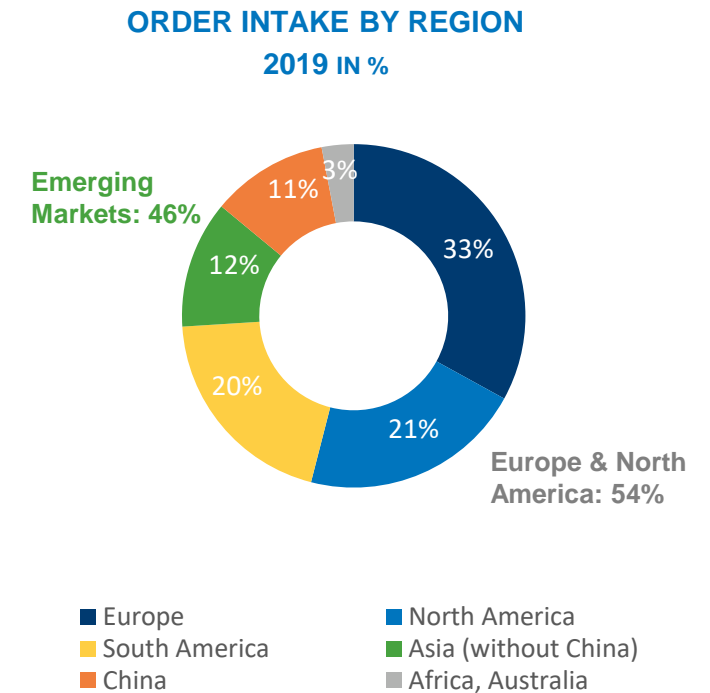
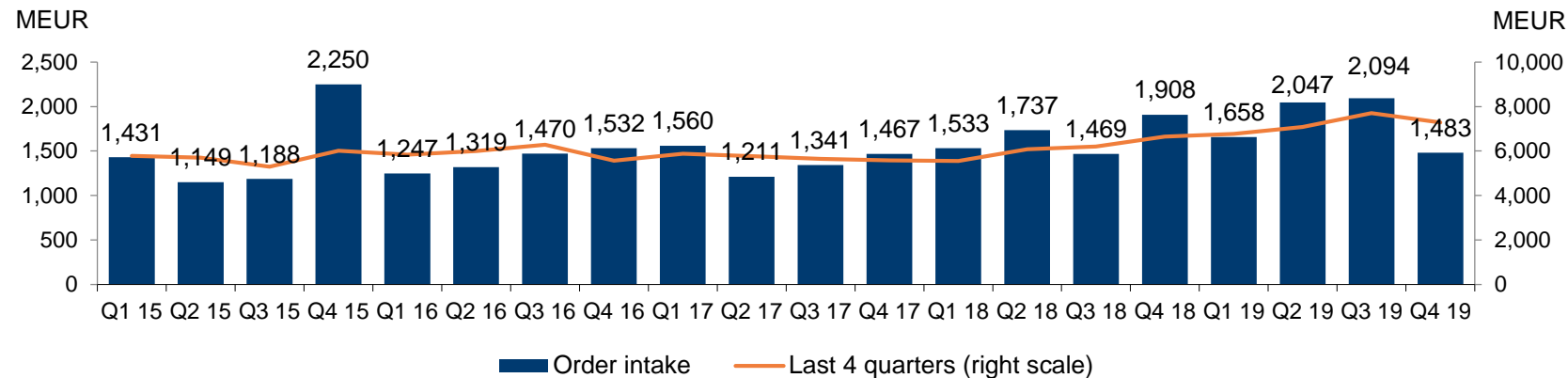
ORDER INTAKE BY BUSINESS AREA (IN MEUR)

	2019	2018	+/-
Pulp & Paper	3,633	2,572	+41%
Metals	1,582	1,932	-18%
Hydro	1,350	1,446	-7%
Separation	717	697	+3%



HIGH ORDER INTAKE IN Q2/19 AND Q3/19 DUE TO LARGE ORDERS IN PULP & PAPER

Emerging markets account for 46% of total order intake



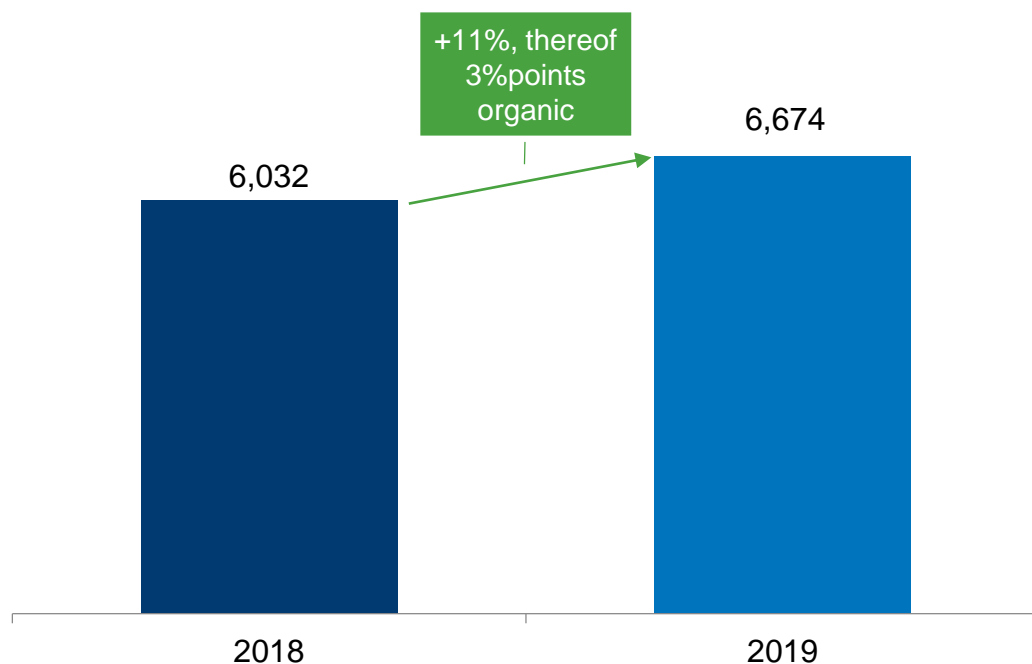
- Major orders received in 2019:
 - **Pulp & Paper:** greenfield pulp mill orders from **Bracell** and **Klabin**, strong order intake for power and recovery boilers
 - **Hydro:** pumped storage power order from **Dubai**

GROUP SALES REACH NEW RECORD HIGH



Strong increase in Pulp & Paper due to high order intake and sales contribution from Xerium

SALES (IN MEUR)



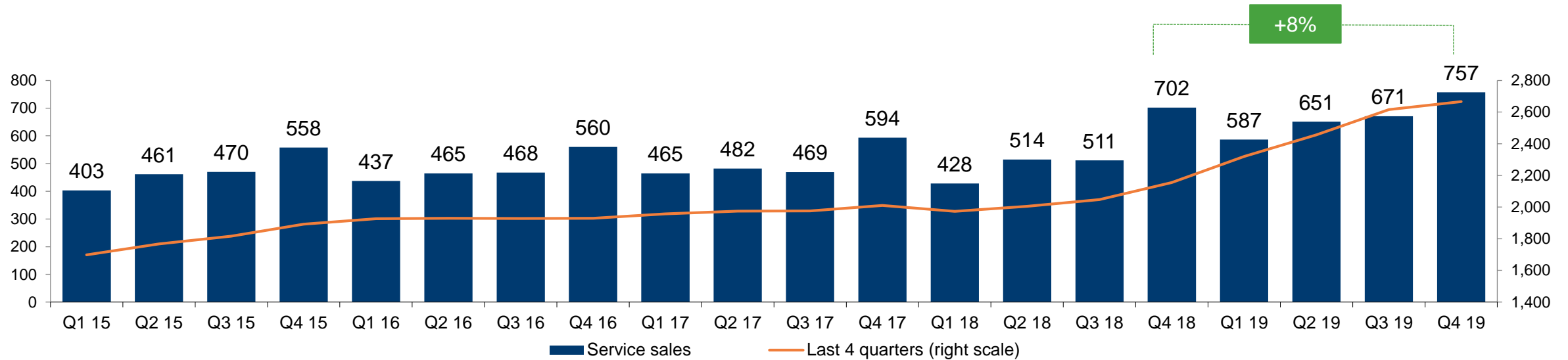
SALES BY BUSINESS AREA (IN MEUR)

	2019	2018	+/-
Pulp & Paper	2,869	2,233	+28%
Metals	1,637	1,635	+0%
Hydro	1,471	1,518	-3%
Separation	697	646	+8%

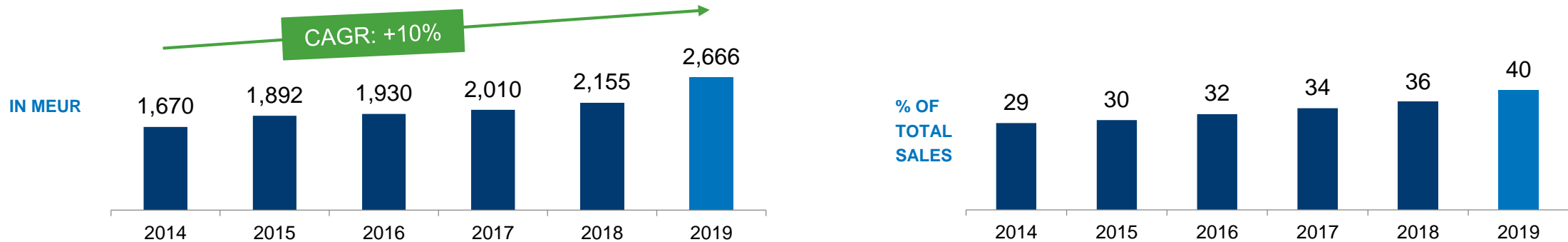
SERVICE BUSINESS CONTINUES TO GROW – SOLID DEVELOPMENT OF XERIUM



Quarterly development of service sales (in MEUR)



Service business increased in absolute and relative terms:

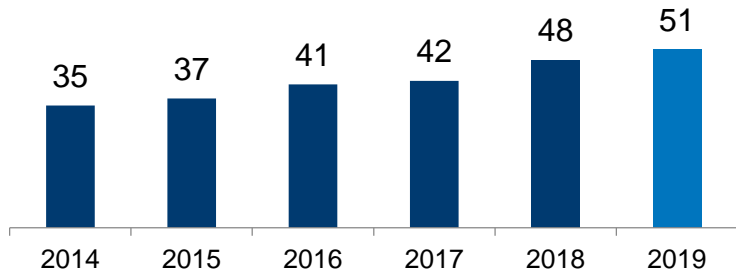


SERVICE BUSINESS BY BUSINESS AREA

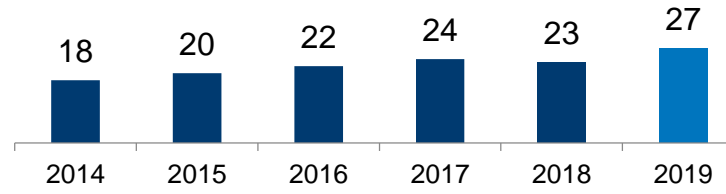


% of total business area sales

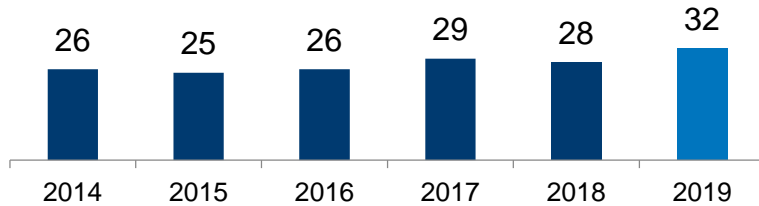
PULP & PAPER



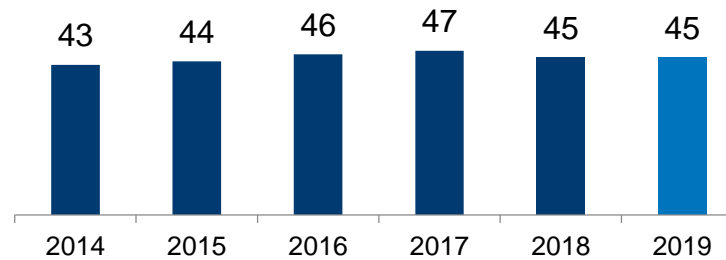
METALS



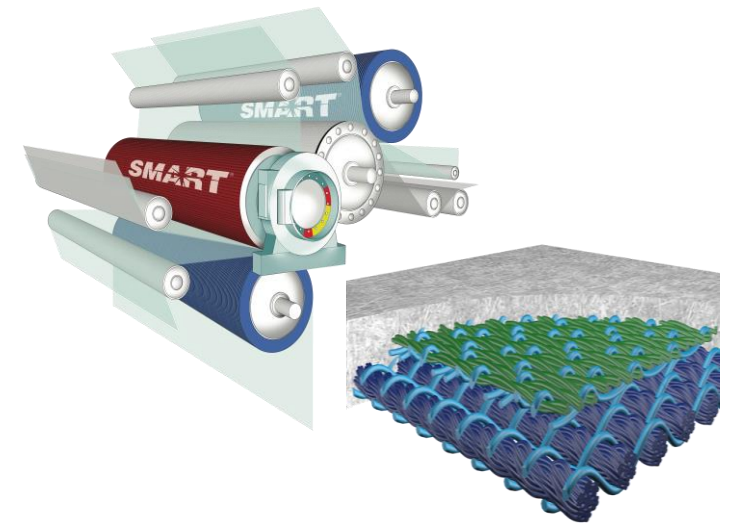
HYDRO



SEPARATION



ANDRITZ Fabrics and Rolls provides machine clothings and roll covers for paper, tissue, and board machines.

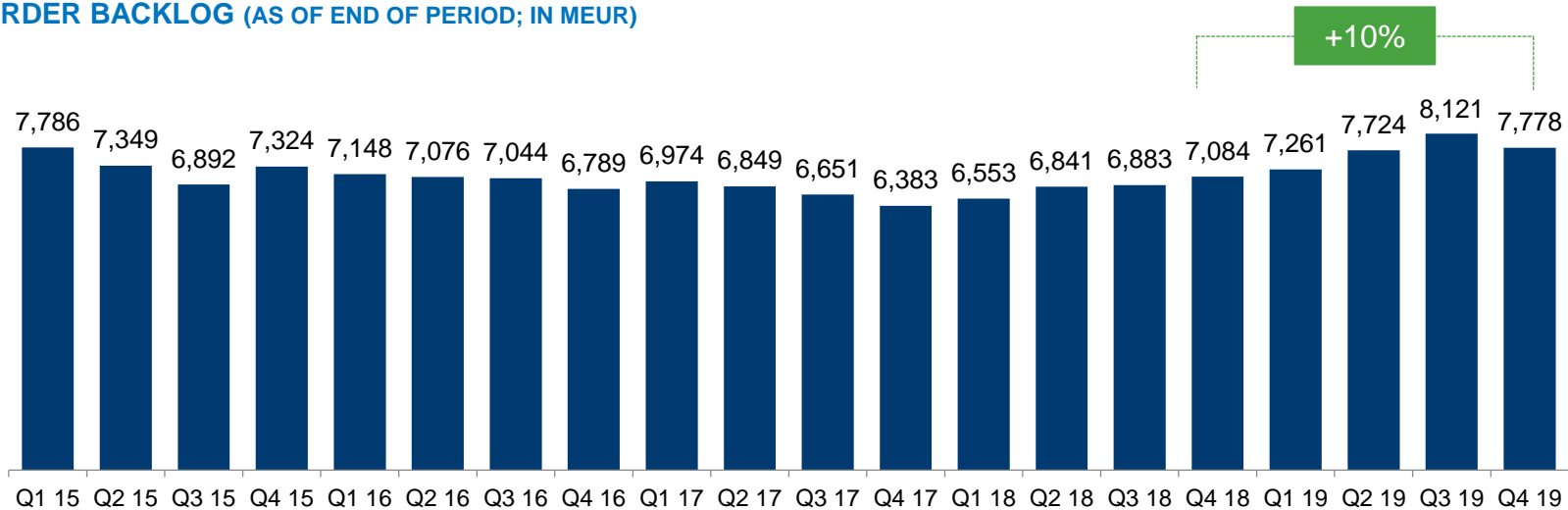




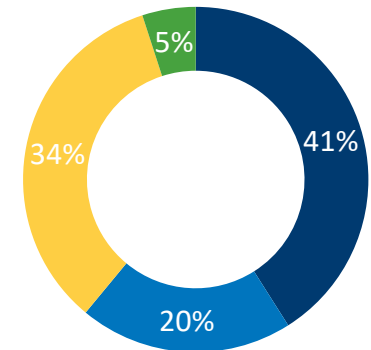
SOLID ORDER BACKLOG – ESPECIALLY IN PULP & PAPER

Order backlog at 7.8 billion as of end of 2019

ORDER BACKLOG (AS OF END OF PERIOD; IN MEUR)



ORDER BACKLOG 2019
BY BUSINESS AREA
(IN %)



■ Pulp & Paper ■ Metals ■ Hydro ■ Separation

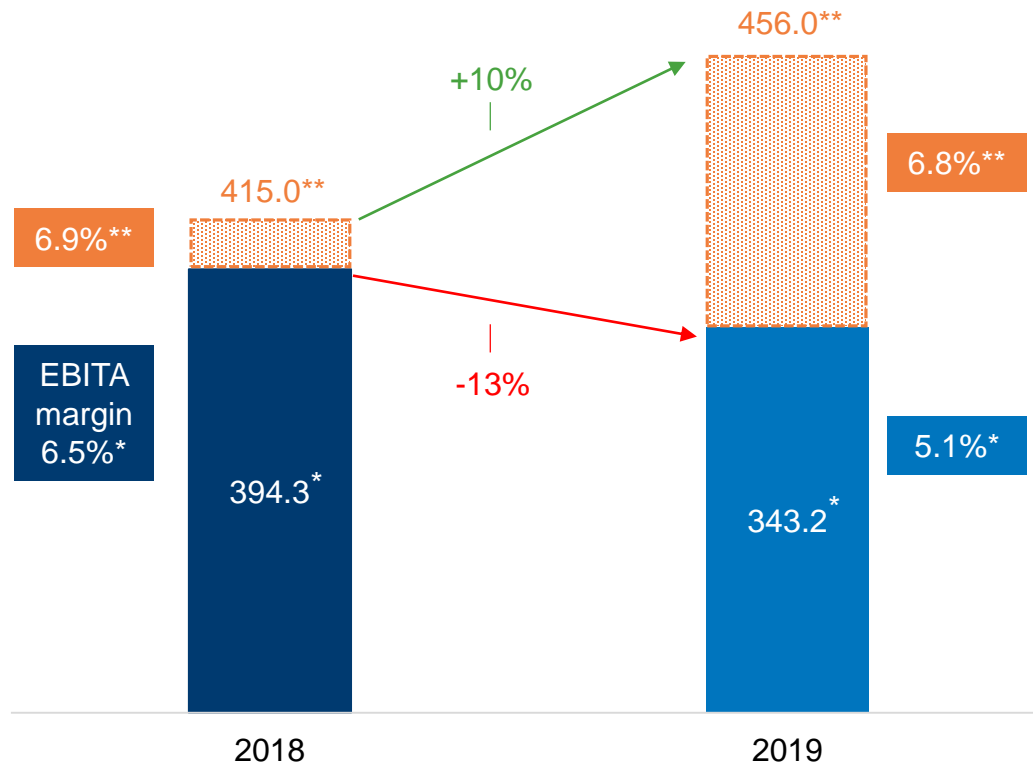
- Order backlog at the end of 2019 was approx. 700 MEUR higher than at the end of 2018, mainly driven by Pulp & Paper
- Hydro and Pulp & Paper **account for 75% of total order backlog**



DECLINE OF EBITA DUE TO RESTRUCTURING MEASURES

Excluding extraordinary items practically unchanged profitability compared to 2018

EBITA (IN MEUR) AND EBITA MARGIN (IN %)



Split of restructuring measures:

Total: **113 MEUR** in 2019, thereof

- Metals: ~ -82 MEUR
- Hydro: ~ -14 MEUR
- Pulp & Paper: ~ -11 MEUR
- Separation: ~ -6 MEUR

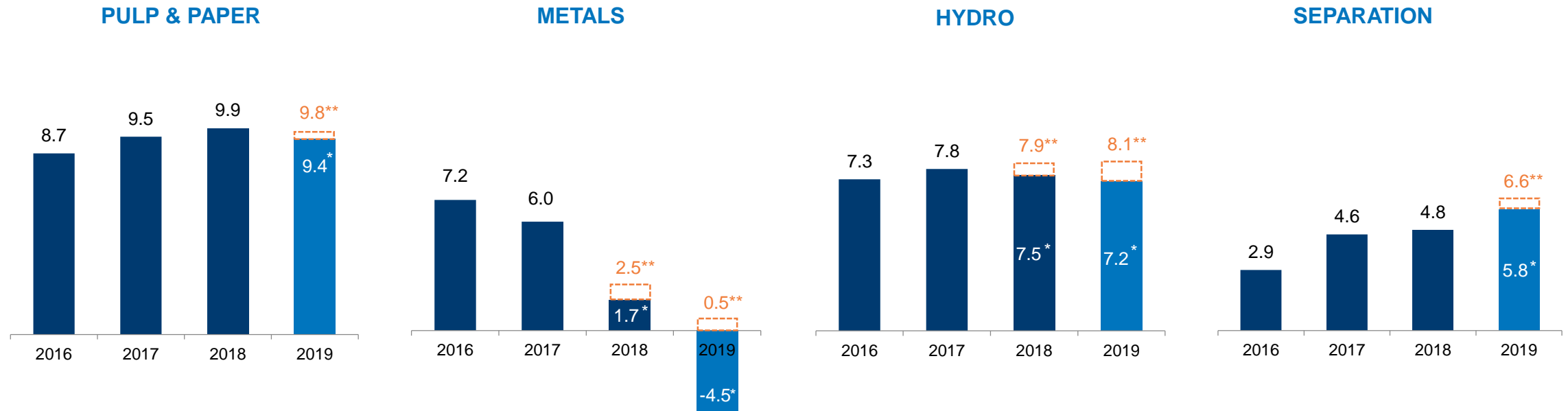
* EBITA and EBITA margin reported

** EBITA and EBITA margin adjusted by extraordinary items

PROFITABILITY BY BUSINESS AREA



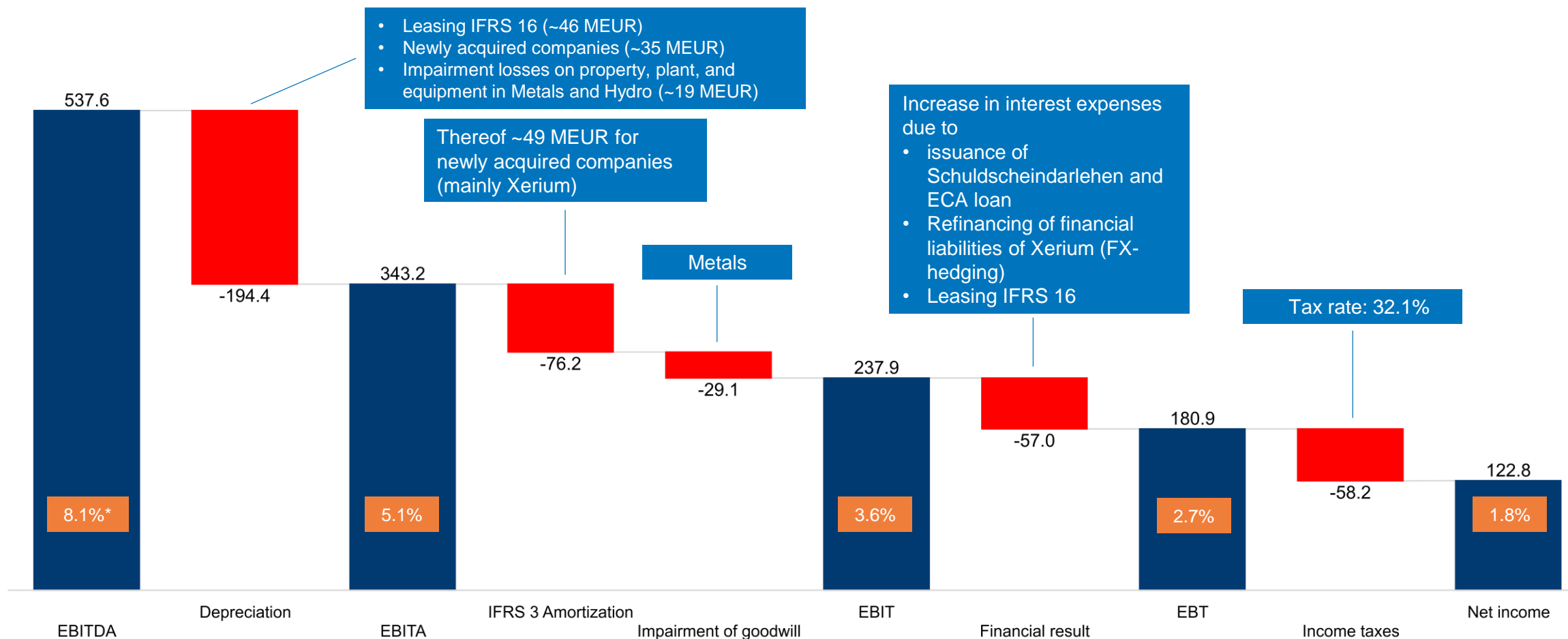
EBITA margin (in %)



* EBITA margin reported

** EBITA margin adjusted by extraordinary items

EBITDA – NET INCOME BRIDGE

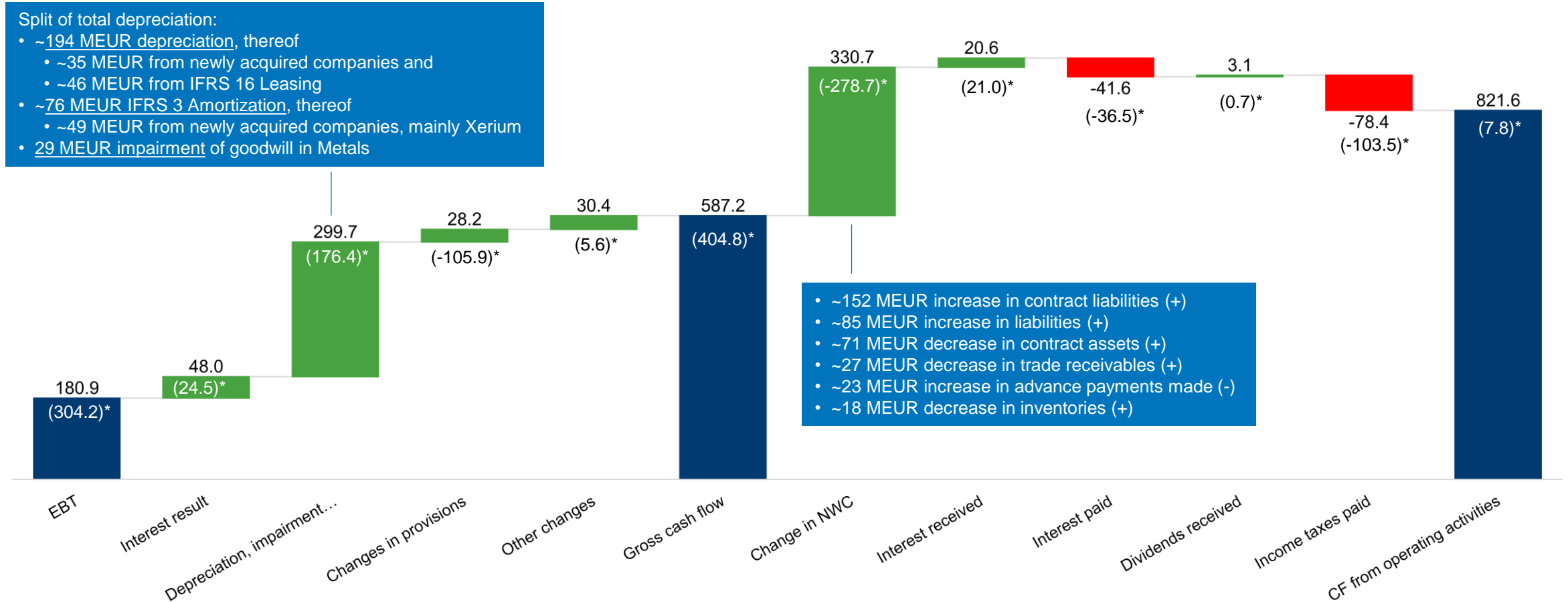


IN MEUR; *: % OF TOTAL SALES



SIGNIFICANT INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES

From +8 MEUR in 2018 to +822 MEUR in 2019



* 2018

KEY FIGURES FY 2019 AT A GLANCE



	UNIT	2019	2018	+/-
Order intake	MEUR	7,282.0	6,646.2	+9.6%
Order backlog (as of end of period)	MEUR	7,777.6	7,084.3	+9.8%
Sales	MEUR	6,673.9	6,031.5	+10.7%
EBITA	MEUR	343.2	394.3	-13.0%
EBITA (adj. by extraordinary items)	MEUR	456.0	415.0	+9.9%
Net income (including non-controlling interests)	MEUR	122.8	219.7	-44.1%
Cash flow from operating activities	MEUR	821.6	7.8	n.a.
Capital expenditure	MEUR	157.1	137.0	+14.7%
Liquid funds	MEUR	1,609.8	1,279.7	+25.8%
Net liquidity	MEUR	244.9	-99.6	+345.9%
Net working capital	MEUR	-134.0	160.5	-183.5%

Strong increase mainly due to

- significant improved Gross cash flow
- change in net working capital

Strong decrease mainly due to Pulp & Paper and Separation:

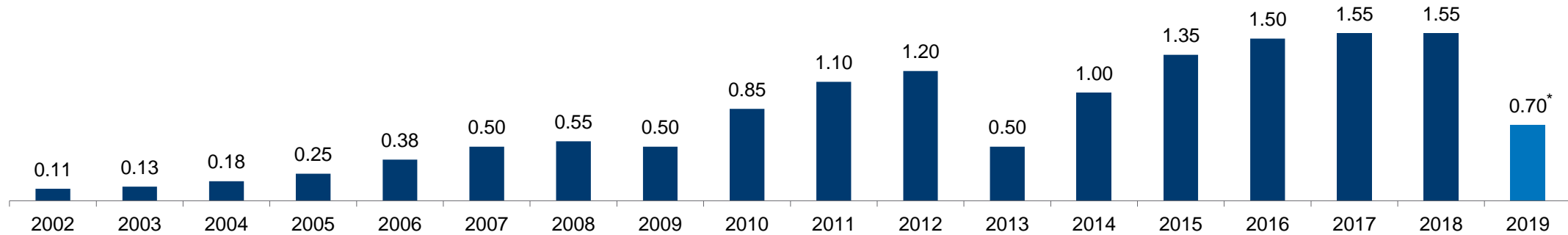
- increase in contract liabilities
- decrease in trade accounts receivable and contract assets
- Optimization of payment terms (supply chain financing, etc.)

PROPOSED DIVIDEND OF 0.70 EUR/SHARE



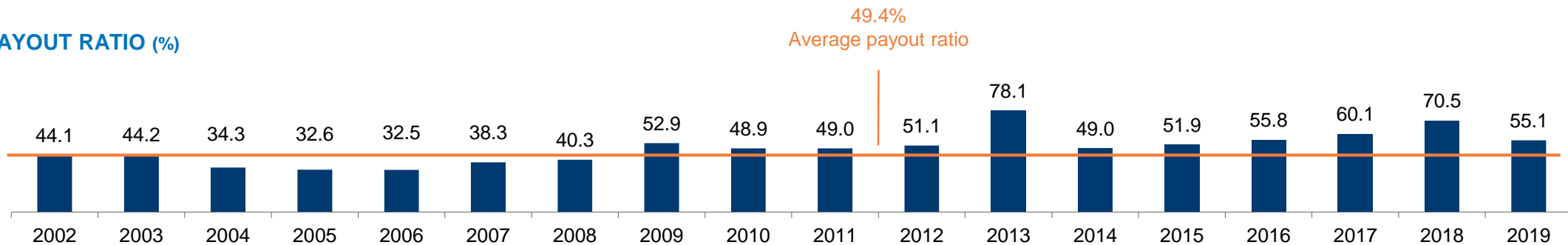
2019 payout ratio: 55% - in line with dividend policy to payout between 50 and 60% of Earnings per share

DIVIDEND PER SHARE (EUR)



* Proposal to AGM

PAYOUT RATIO (%)



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PULP & PAPER (1): VERY HIGH PROJECT ACTIVITY



Strong market position in pulp confirmed by receipt of several greenfield orders

- Pulp
Very high project activity for both modernization of existing pulp mills and greenfield pulp mills, also for viscose pulp
- Paper
Stable market development for tissue and packaging equipment
- Power generating boilers
Very good project and investment activity of previous quarters continued, especially in Asia (Japan)
- Competition
Stable competitive environment



PULP & PAPER (2): STRONG INCREASE IN ORDER INTAKE AND SALES



Profitability remains at very favorable level

Order intake reached new record:

- award of some large-scale orders for new pulp mills in South America
- very favorable development of service business → Xerium: 465 MEUR

Significant increase in **sales** due to favorable development of order intake in the past few quarters (Xerium: 446 MEUR)

Earnings and margin at unchanged very favorable level. Booking of minor capacity adjustment measures (~11 MEUR)

	UNIT	2019	2018	+/-
Order intake	MEUR	3,632.5	2,571.9	+41.2%
Order backlog (as of end of period)	MEUR	3,164.3	2,421.1	+30.7%
Sales	MEUR	2,869.5	2,233.2	+28.5%
EBITDA	MEUR	351.4	258.4	+36.0%
EBITDA margin	%	12.2	11.6	-
EBITA (adj. by extraordinary items)	MEUR	281.5	222.1	+26.7%
EBITA margin (adj. by extraordinary items)	%	9.8	9.9	-
EBITA	MEUR	271.0	222.1	+22.0%
EBITA margin	%	9.4	9.9	-
Employees (as of end of period; without apprentices)	-	11,984	11,435	+4.8%

ORDER INTAKE BY REGION 2019 VS. 2018 (%)



SALES BY REGION 2019 VS. 2018 (%)

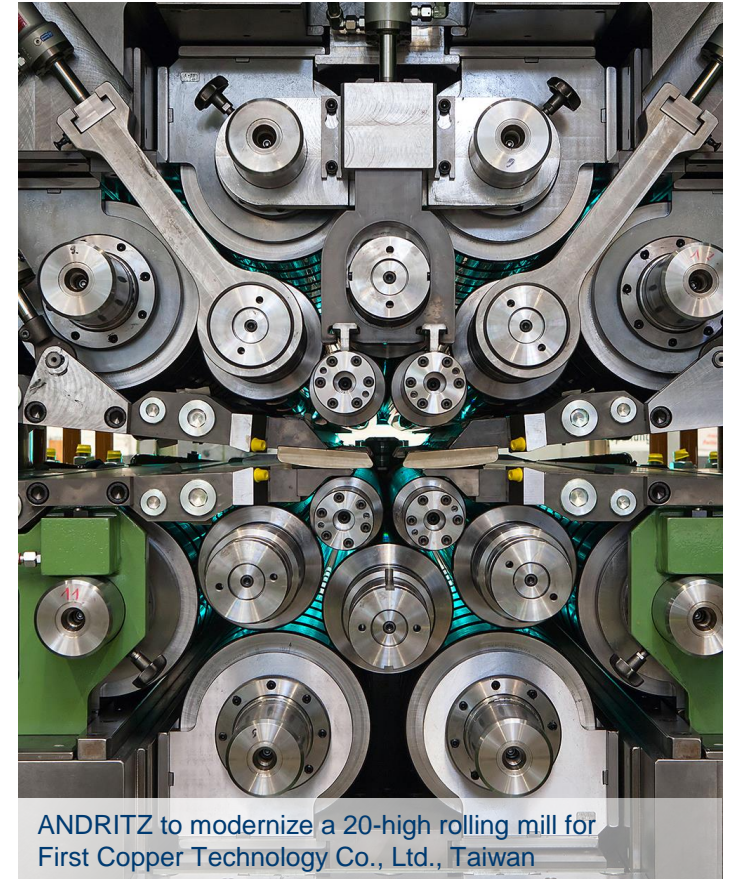


METALS (1): UNCHANGED LOW PROJECT AND INVESTMENT ACTIVITY



Weak market environment in both Metals Forming and Processing

- **Metals Forming**
Unchanged low project and investment activity due to the **continuing weak international automotive market. Only selective investments** made in the **Electric Vehicle market.**
- **Metals Processing**
Continuing low demand in all core markets. Only selective orders for production equipment to produce advanced high-strength steel grades and for aluminum products
- **Competition**
Unchanged **fierce competition** in both segments



ANDRITZ to modernize a 20-high rolling mill for First Copper Technology Co., Ltd., Taiwan



METALS (2): EARNINGS AND PROFITABILITY SIGNIFICANTLY DOWN

Restructuring measures and cost overruns in Metals Processing strongly impact earnings

Significant decline in **order intake** in Metals Forming as well as in Metals Processing due to weak market conditions in both segments

Earnings and profitability impacted by

- provisions for capacity adjustment measures (~82 MEUR)
- processing of lower-margin orders as a result of unchanged strong competition
- cost overruns on individual projects in Metals Processing

	UNIT	2019	2018	+/-
Order intake	MEUR	1,582.2	1,931.8	-18.1%
Order backlog (as of end of period)	MEUR	1,532.7	1,591.6	-3.7%
Sales	MEUR	1,636.9	1,635.1	+0.1%
EBITDA	MEUR	-1.5	57.8	-102.6%
EBITDA margin	%	-0.1	3.5	-
EBITA (adj. by extraordinary items)	MEUR	8.6	41.3	-79.2%
EBITA margin (adj. by extraordinary items)	%	0.5	2.5	-
EBITA	MEUR	-73.8	27.3	-370.3%
EBITA margin	%	-4.5	1.7	-
Employees (as of end of period; without apprentices)	-	7,485	7,818	-4.3%

ORDER INTAKE BY REGION 2019 VS. 2018 (%)



SALES BY REGION 2019 VS. 2018 (%)



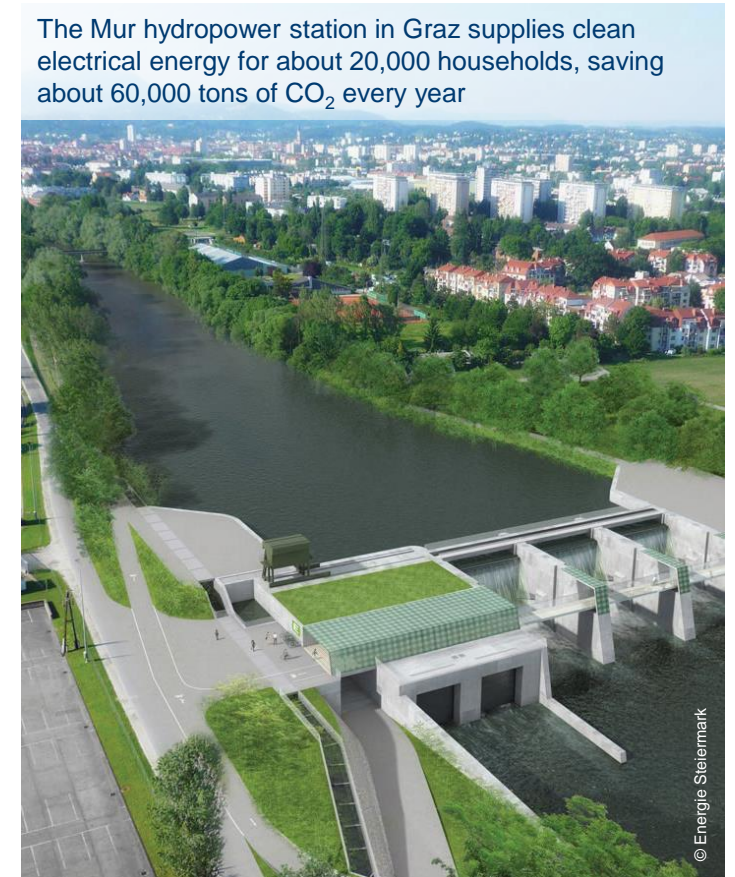
HYDRO (1): UNCHANGED MODERATE MARKET ENVIRONMENT

Only selective award of individual projects

- Hydropower
 - **Continuing low investment activity by electric and energy utilities** with many modernization and rehabilitation projects still postponed, particularly in Europe
 - **Some new, larger projects are currently in the planning/award phase**, especially in Southeast Asia
- Pumps
Unchanged good project activity
- Competition
Stable competition at challenging level



The Mur hydropower station in Graz supplies clean electrical energy for about 20,000 households, saving about 60,000 tons of CO₂ every year



HYDRO (2): DECLINE OF ORDER INTAKE AND SALES



Satisfactory development of earnings and profitability (excl. extraordinary effects)

Order intake down y/y due to moderate global hydropower market

Decrease in sales due to the decline in order intake in the past few years

Earnings and profitability largely stable at solid level despite decline in sales and booking of measures for minor capacity adjustments (~14 MEUR)

	UNIT	2019	2018	+/-
Order intake	MEUR	1,350.2	1,445.8	-6.6%
Order backlog (as of end of period)	MEUR	2,661.0	2,667.9	-0.3%
Sales	MEUR	1,470.7	1,517.5	-3.1%
EBITDA	MEUR	134.1	142.4	-5.8%
EBITDA margin	%	9.1	9.4	-
EBITA (adj. by extraordinary items)	MEUR	119.8	120.5	-0.6%
EBITA margin (adj. by extraordinary items)	%	8.1	7.9	-
EBITA	MEUR	105.9	113.8	-6.9%
EBITA margin	%	7.2	7.5	-
Employees (as of end of period; without apprentices)	-	7,202	7,002	+2.9%

ORDER INTAKE BY REGION 2019 VS. 2018 (%)



SALES BY REGION 2019 VS. 2018 (%)



SEPARATION (1): SATISFACTORY PROJECT AND INVESTMENT ACTIVITY



Particularly for solid/liquid separation equipment

- **Municipal**
Investment activity at solid levels (sewage sludge dewatering and drying)
- **Industrial**
Solid project activity in chemicals, mining, and minerals;
investment activity in food slightly improved from low levels
- **Feed and biomass pelleting**
Stable project activity
- **Competition**
Unchanged market environment with some global and many regional competitors



ANDRITZ STARDISC vacuum disc filter

SEPARATION (2): FURTHER EARNINGS IMPROVEMENT



Increase of order intake compared 2018 which included a large order

Order intake slightly above the high level of the previous year which included a large-scale order from China

Increase in sales due to the favorable development of order intake in the previous year

Increase in earnings and profitability. Booking of capacity adjustment measures of ~6 MEUR

	UNIT	2019	2018	+/-
Order intake	MEUR	717.1	696.7	+2.9%
Order backlog (as of end of period)	MEUR	419.6	403.7	+3.9%
Sales	MEUR	696.8	645.7	+7.9%
EBITDA	MEUR	53.6	39.4	+36.0%
EBITDA margin	%	7.7	6.1	-
EBITA (adj. by extraordinary items)	MEUR	46.1	31.1	+48.2%
EBITA margin (adj. by extraordinary items)	%	6.6	4.8	-
EBITA	MEUR	40.1	31.1	+28.9%
EBITA margin	%	5.8	4.8	-
Employees (as of end of period; without apprentices)	-	2,842	2,841	+0.0%

ORDER INTAKE BY REGION 2019 VS. 2018 (%)



SALES BY REGION 2019 VS. 2018 (%)



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GOALS, OUTLOOK AND GUIDANCE FOR 2020



Increase in sales, stable earnings

Status of general business environment and outlook for business areas:

- Weak global economic environment, impact of Covid-19 virus on global economy difficult to assess
- Project activity in Pulp & Paper expected at solid level, however below exceptional level of 2019
- Steel and automotive industries still in decline, no signs for recovery
- Some larger hydro projects in emerging markets, especially Asia

ANDRITZ topics and goals for 2020:

- Processing of high order backlog, especially in Pulp & Paper
- Implementation of restructuring measures in Metals Forming
- Continuing minor capacity adjustments in other business areas

GUIDANCE FOR 2020:

- Slight increase of Group sales
- Group EBITA to reach adjusted EBITA of 2019

MARKET OUTLOOK

Pulp & Paper



Metals



Hydro



Separation



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