



# RESULTS FOR Q2 / H1 2019

ANDRITZ GROUP

AUGUST 2, 2019

**ANDRITZ**

ENGINEERED SUCCESS

# CHAPTER OVERVIEW



**01** Q2 2019 AT A GLANCE

---

**02** PERFORMANCE Q2 2019  
AND MARKET UPDATE

---

**03** UPDATE OF BUSINESS AREAS

---

**04** OUTLOOK

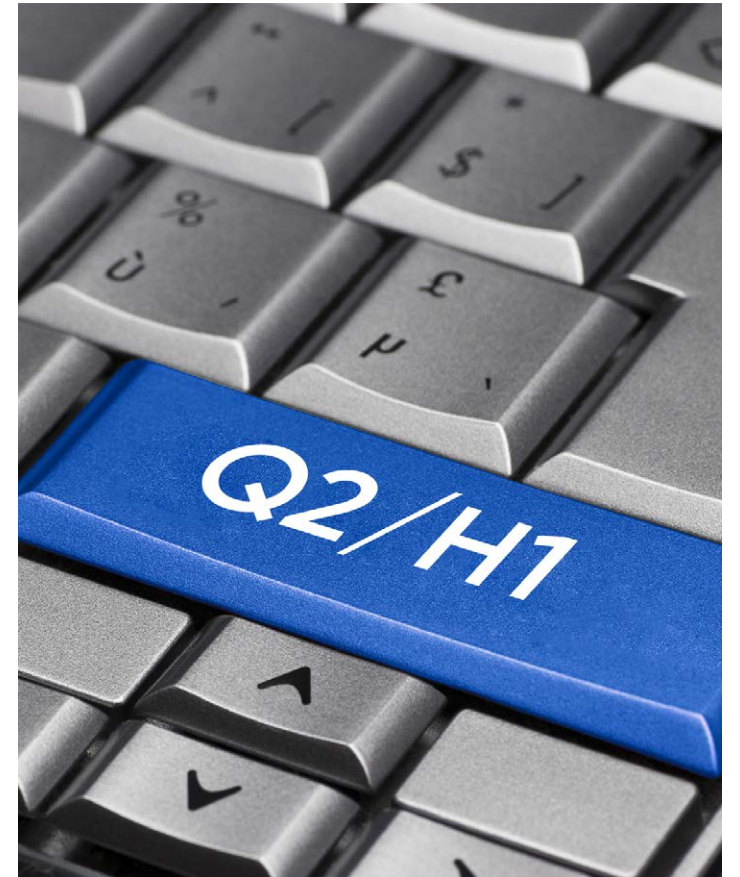
---

# Q2 2019 AT A GLANCE



Overall solid business development, however mixed by business area

- **Group order intake**, at over **2 billion euros**, reached the second highest quarterly order intake in the company's history
  - **Very high order intake in Pulp & Paper** with strong development across all divisions
  - Hydro, Metals, and Separation slightly down y/y
- **Sales increased to almost 1.6 billion euros**
  - Strong increase in Pulp & Paper; Hydro and Metals down y/y
- **EBITA, at 95 million euros, practically unchanged; EBITA margin amounted to 6.0%**
  - Favorable margin development in Pulp & Paper
  - Unsatisfactory development in both Metals sectors
  - Hydro and Separation increased



# CHAPTER OVERVIEW



**01** Q2 2019 AT A GLANCE

---

**02** PERFORMANCE Q2 2019  
AND MARKET UPDATE

---

**03** UPDATE OF BUSINESS AREAS

---

**04** OUTLOOK

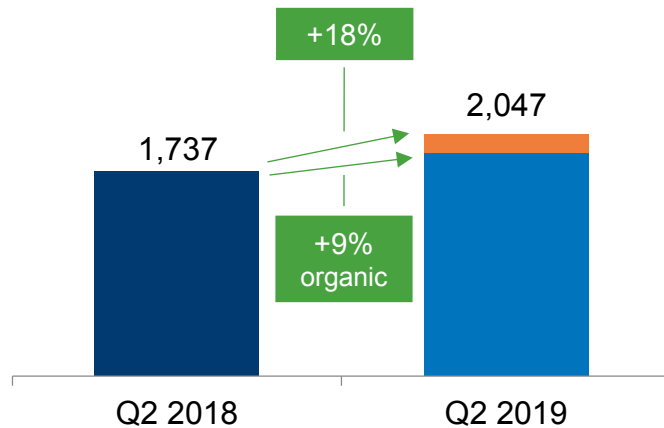
---



# SIGNIFICANT INCREASE OF ORDER INTAKE IN Q2 2019

Mainly driven by strong increase in Pulp & Paper; Hydro, Metals, Separation down y/y

ORDER INTAKE Q2 2019 (IN MEUR)



■ Newly acquired companies: ~161 MEUR, thereof ~111 MEUR Xerium

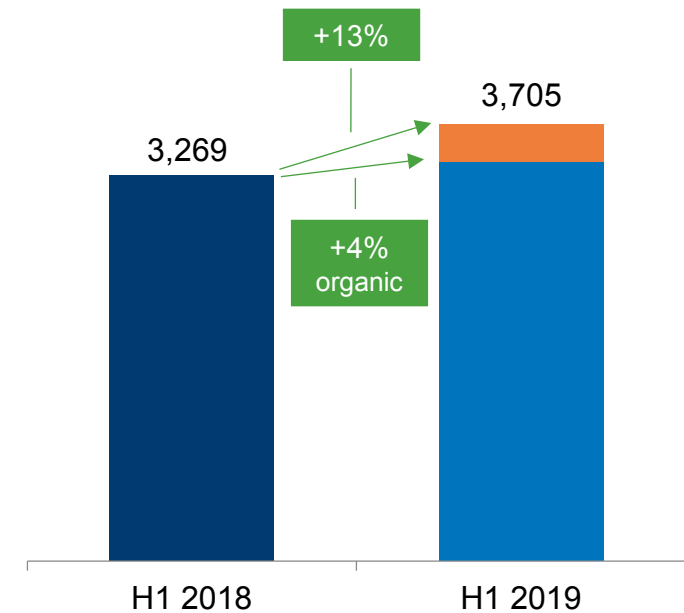
ORDER INTAKE BY BUSINESS AREA (IN MEUR)

	Q2 2019	Q2 2018	+/-
Hydro	288	318	-10%
Pulp & Paper	1,119	724	+55%
Metals	462	479	-4%
Separation	179	216	-17%

	H1 2019	H1 2018	+/-
Hydro	602	753	-20%
Pulp & Paper	1,926	1,181	+63%
Metals	810	947	-14%
Separation	368	389	-5%

ORDER INTAKE H1 2019 (IN MEUR)

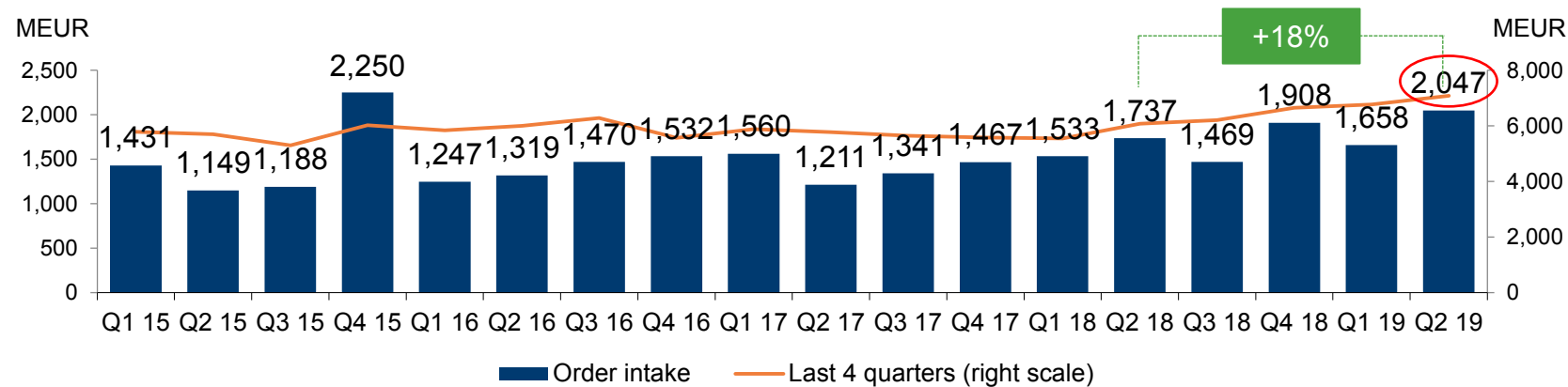


■ Newly acquired companies: ~318 MEUR, thereof ~236 MEUR Xerium

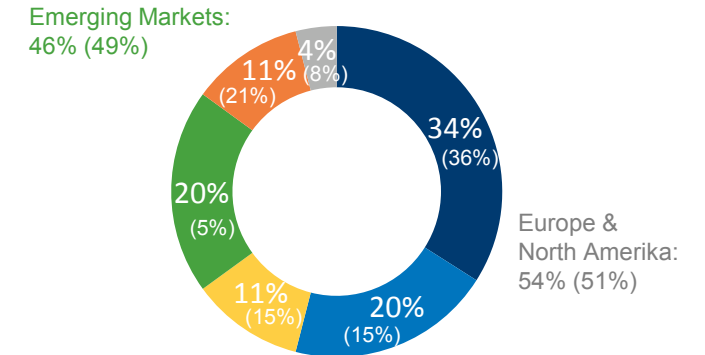
# QUARTERLY DEVELOPMENT OF ORDER INTAKE



Aggregated order intake of the last four quarters amounts to ~7.1 bn. EUR



ORDER INTAKE BY REGION  
H1 2019 (H1 2018) IN %



- Xerium Technologies, Inc. contributed ~111 MEUR in Q2 2019
- Well balanced geographical exposure
  - Europe and North America: 54%
  - Emerging Markets: 46%

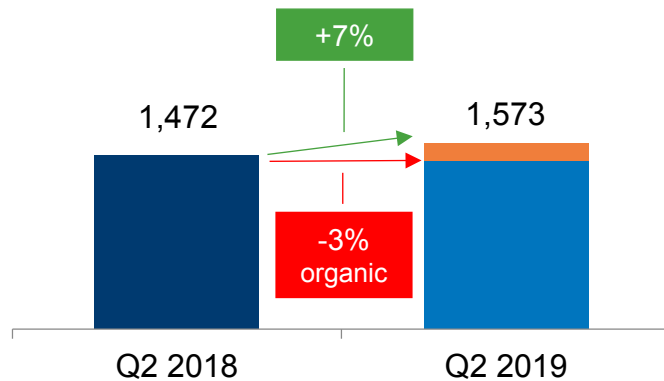
- Europe
- North America
- Asia (without China)
- South America
- China
- Africa, Australia



# INCREASE OF GROUP SALES DRIVEN BY PULP & PAPER

Very favorable development in Pulp & Paper; Hydro and Metals down on q/q

SALES Q2 2019 (IN MEUR)



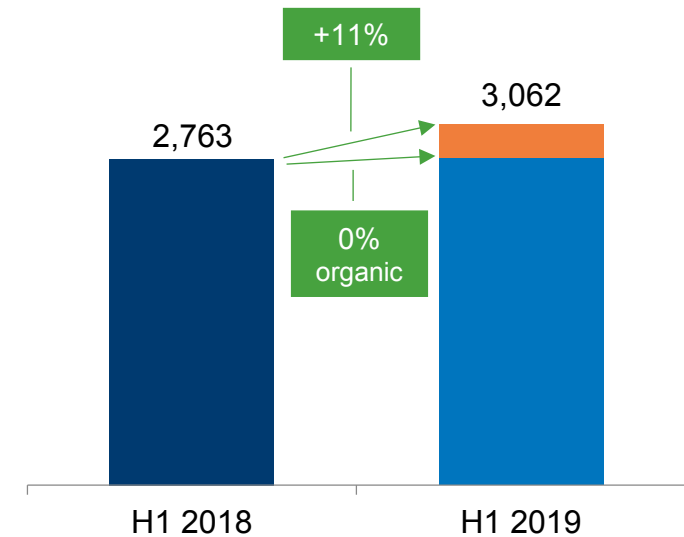
■ Newly acquired companies: ~147 MEUR, thereof ~113 MEUR Xerium

SALES BY BUSINESS AREA (IN MEUR)

	Q2 2019	Q2 2018	+/-
Hydro	337	375	-10%
Pulp & Paper	708	551	+29%
Metals	371	395	-6%
Separation	158	152	+4%

	H1 2019	H1 2018	+/-
Hydro	676	724	-7%
Pulp & Paper	1,310	1,010	+30%
Metals	759	742	+2%
Separation	318	287	+11%

SALES H1 2019 (IN MEUR)

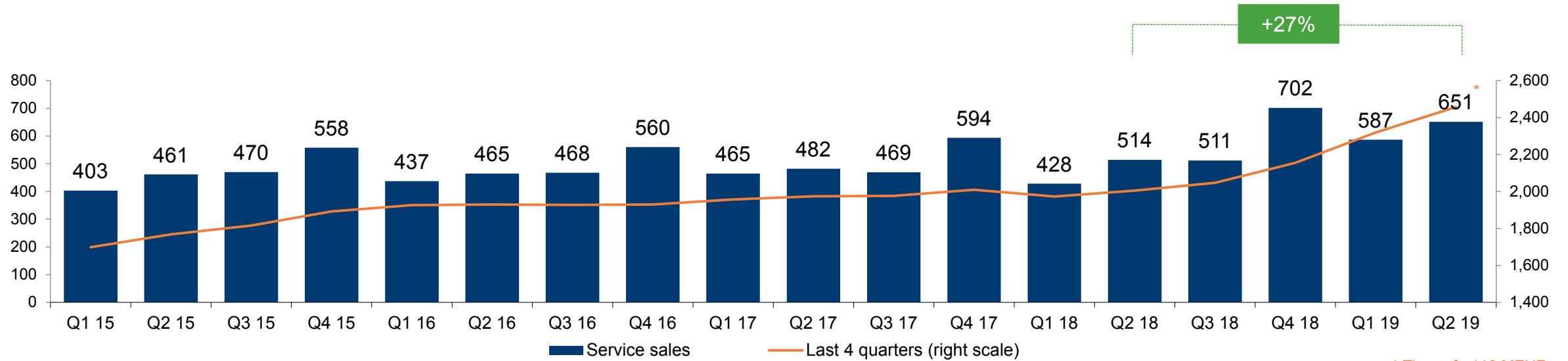


■ Newly acquired companies: ~287 MEUR, thereof ~222 MEUR Xerium

# FURTHER INCREASE OF SERVICE BUSINESS

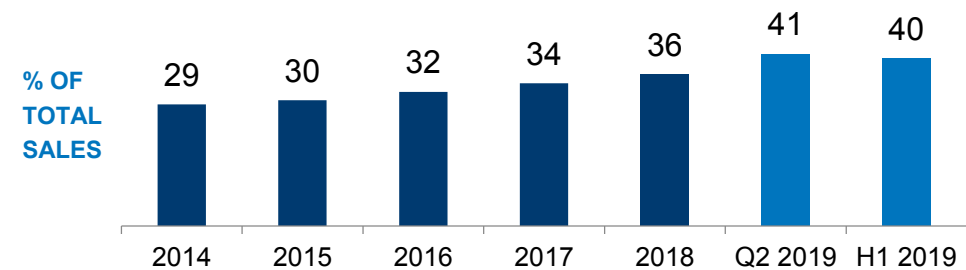
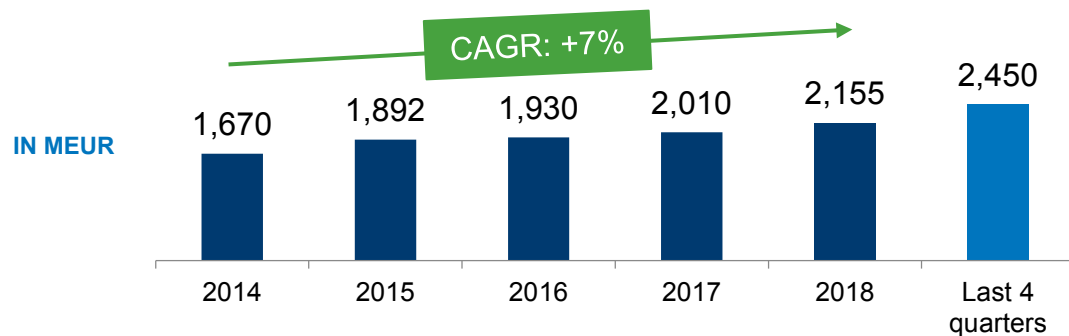


## Quarterly development of service sales (in MEUR)



\* Thereof ~113 MEUR from Xerium

## Service business increased in absolute and relative terms:



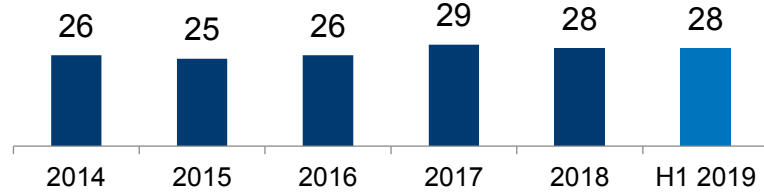


# SERVICE BUSINESS BY BUSINESS AREA

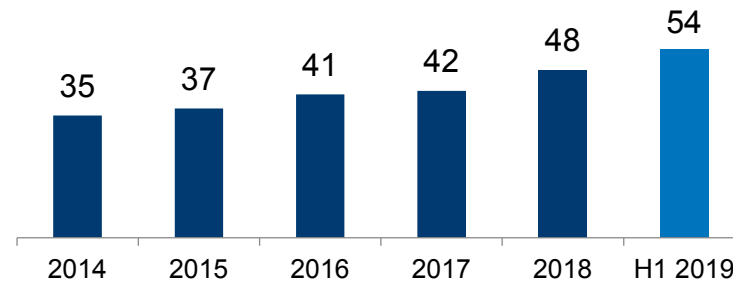


% of total business area sales

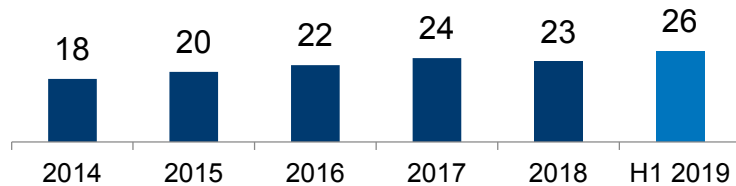
## HYDRO



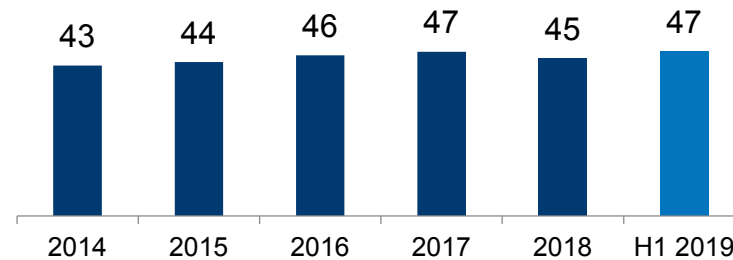
## PULP & PAPER



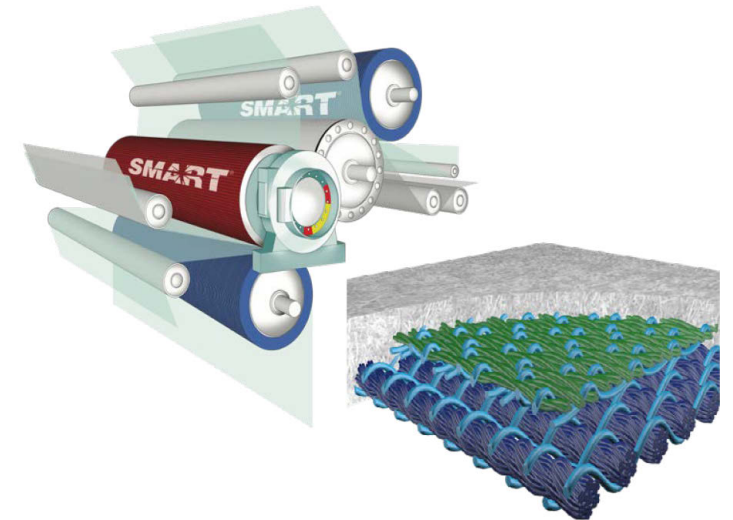
## METALS



## SEPARATION



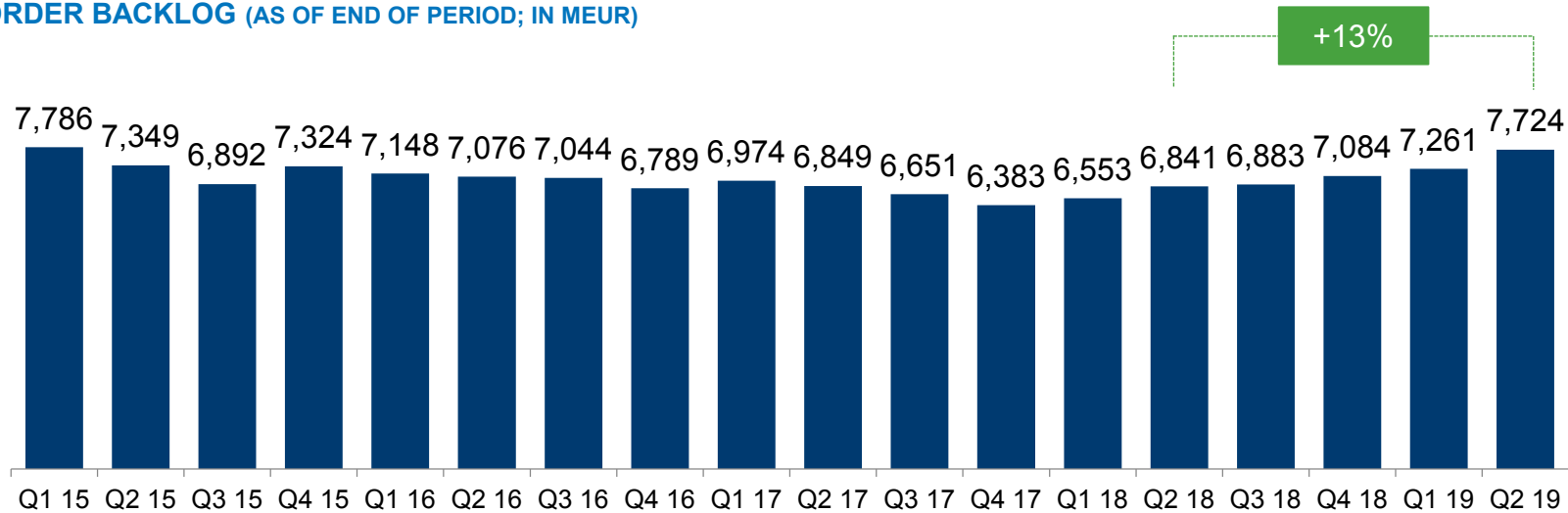
ANDRITZ Fabrics and Rolls provides machine clothings and roll covers for paper, tissue, and board machines.



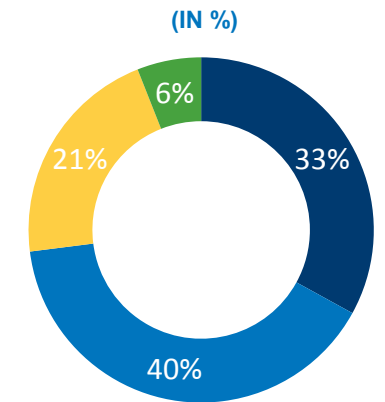
# GROUP ORDER BACKLOG SIGNIFICANTLY UP COMPARED TO END OF 2018



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



ORDER BACKLOG Q2 2019 BY BUSINESS AREA (IN %)



■ Hydro ■ Pulp & Paper ■ Metals ■ Separation

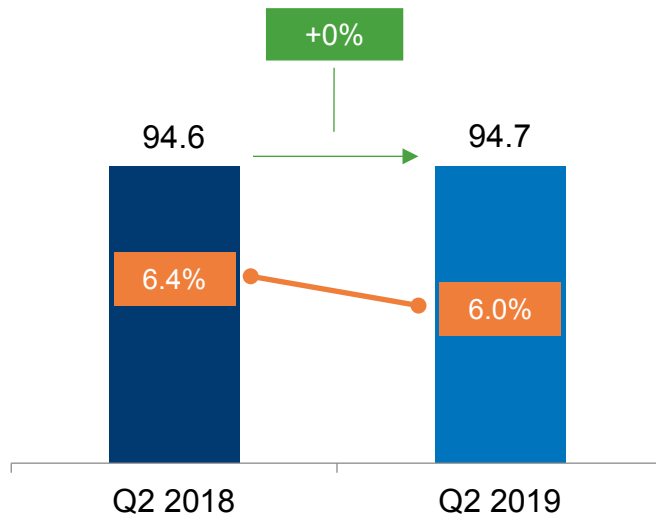
- Order backlog at the end Q2 2019 was approx. 640 MEUR higher than at the end of 2018, mainly driven by Pulp & Paper
- Hydro and Pulp & Paper **account for 73% of total order backlog**

# EARNINGS AND PROFITABILITY PRACTICALLY UNCHANGED DESPITE SALES INCREASE



Unsatisfactory performance of Metals

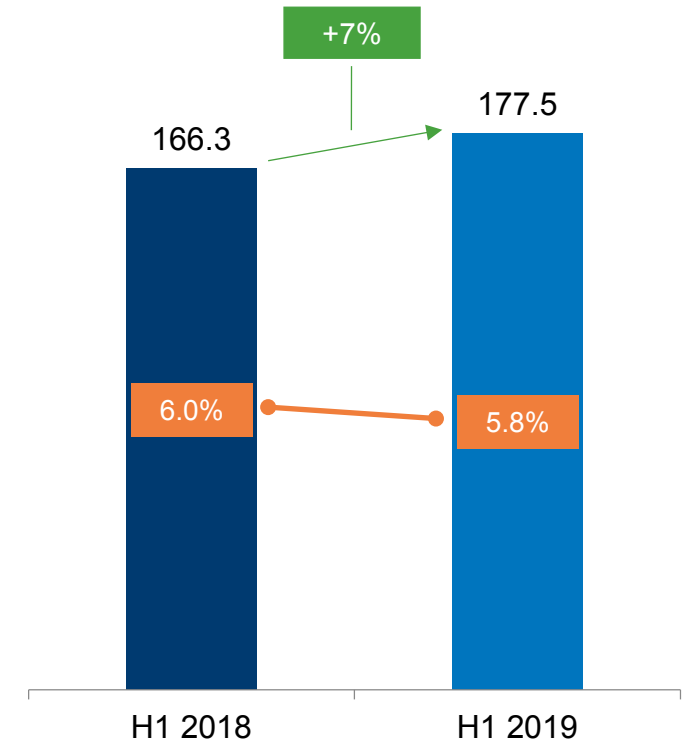
EBITA (IN MEUR) AND EBITA MARGIN Q2 2019 (IN %)



## Q2 2019:

- Despite increase in sales, EBITA remained practically unchanged at 94.7 MEUR (Q2 2018: 94.6 MEUR). Profitability amounted to 6.0% (Q2 2018: 6.4%)
- Unchanged favorable profitability of the Pulp & Paper business area
- Metals still impacted by execution of lower-margin orders, underutilization in Metals Forming (Schuler) as well as cost overruns on some projects in Metals Processing
- Improved profitability in Hydro and Separation

EBITA (IN MEUR) AND EBITA MARGIN H1 2019 (IN %)

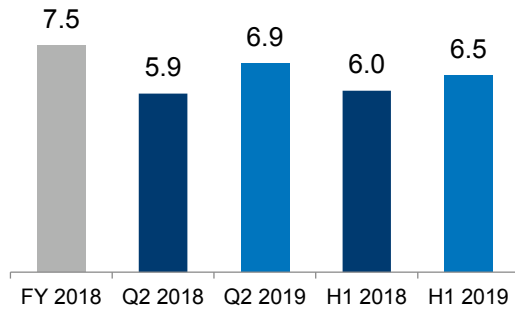


# PROFITABILITY BY BUSINESS AREA

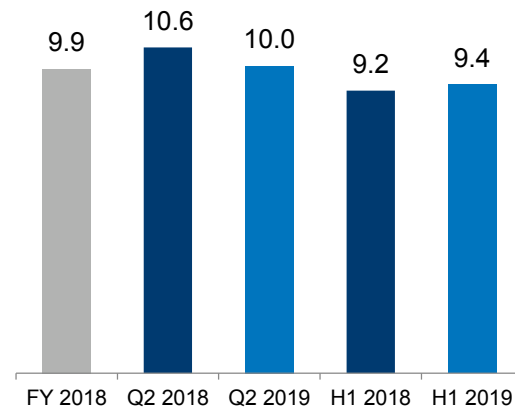


EBITA margin (%)

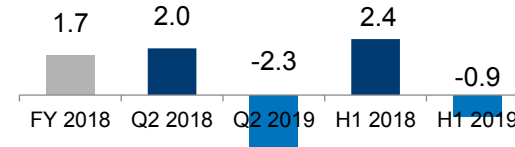
HYDRO



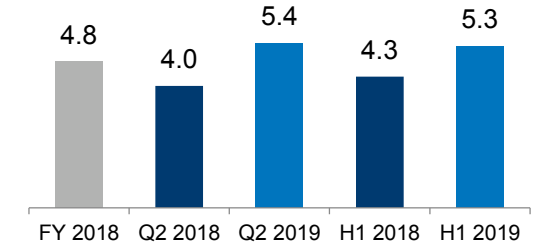
PULP & PAPER



METALS



SEPARATION

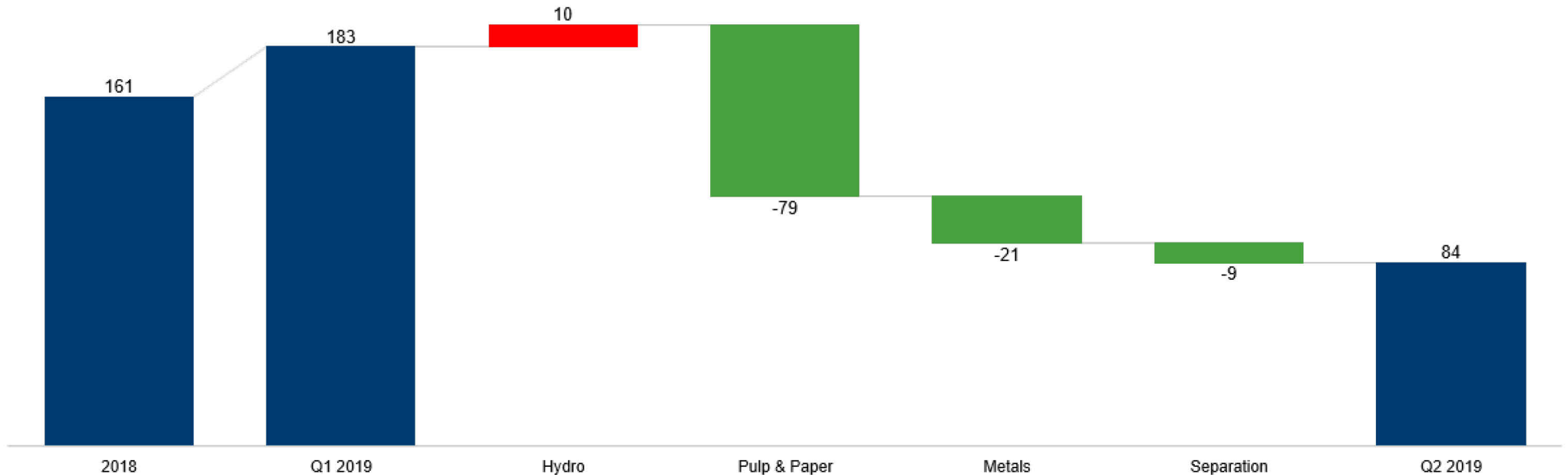




# IMPROVEMENT OF NET WORKING CAPITAL IN Q2 2019

Mainly driven by Pulp & Paper

- Increase of contract liabilities due to increase of advance/progress payments for projects
- Reduction of trade accounts receivable





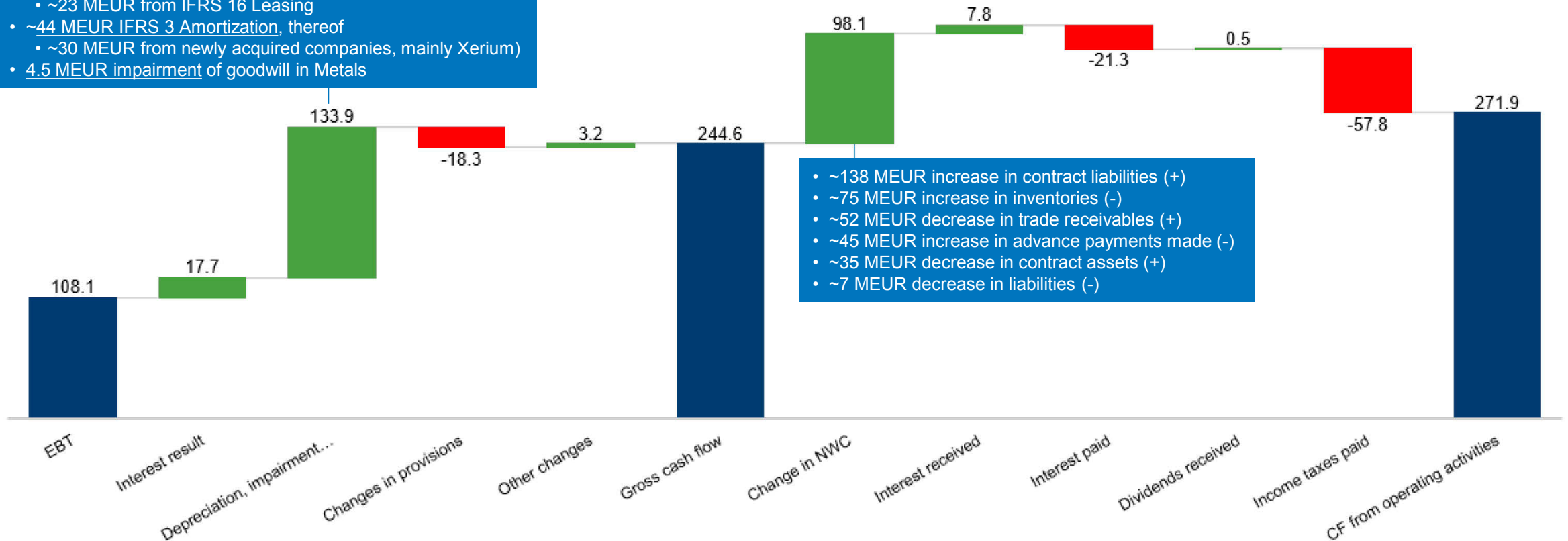
# SIGNIFICANT INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES

From -101 MEUR in H1 2018 to +272 MEUR in H1 2019

IN MEUR

Split of total depreciation:

- ~85 MEUR depreciation, thereof
  - ~12 MEUR from newly acquired companies and
  - ~23 MEUR from IFRS 16 Leasing
- ~44 MEUR IFRS 3 Amortization, thereof
  - ~30 MEUR from newly acquired companies, mainly Xerium)
- 4.5 MEUR impairment of goodwill in Metals



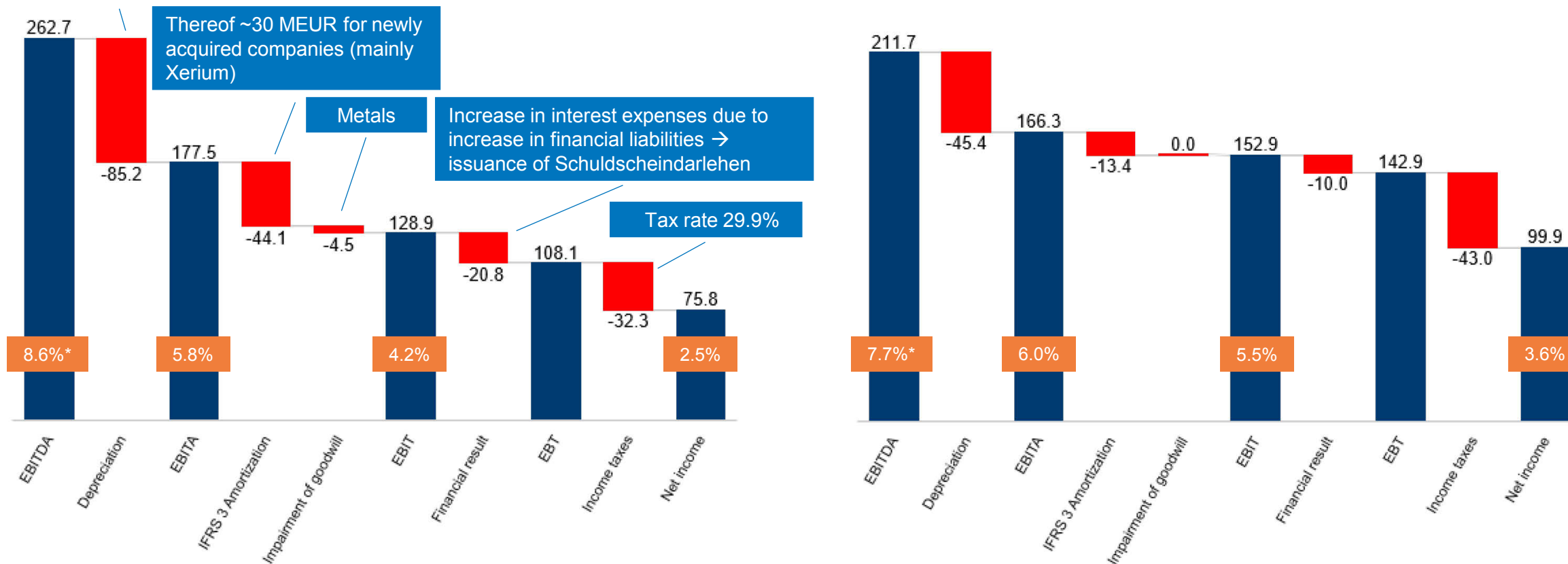
# EBITDA – NET INCOME BRIDGE H1 2019 VS. H1 2018



H1 2019

H1 2018

- Leasing IFRS 16 (~23 MEUR)
- newly acquired companies (~12 MEUR)



IN MEUR; \*: % OF TOTAL SALES

# KEY FIGURES Q2 2019 / H1 2019 AT A GLANCE



## Decline of net income mainly due to

- increased depreciation and amortization of intangible assets (including goodwill impairment)
- lower financial result as a consequence of lower average net liquidity and the issuance of a SSD in Q3 2018

Newly acquired companies contributed ~7 MEUR to capex in H1 2019

	UNIT	H1 2019	H1 2018	+/-	Q2 2019	Q2 2018	+/-	2018
Order intake	MEUR	3,705.2	3,269.3	+13.3%	2,047.1	1,736.5	+17.9%	6,646.2
Order backlog (as of end of period)	MEUR	7,724.2	6,841.1	+12.9%	7,724.2	6,841.1	+12.9%	7,084.3
Sales	MEUR	3,062.4	2,763.1	+10.8%	1,573.2	1,472.1	+6.9%	6,031.5
EBITA	MEUR	177.5	166.3	+6.7%	94.7	94.6	+0.1%	394.3
Net income (including non-controlling interests)	MEUR	75.8	99.9	-24.1%	43.2	55.9	-22.7%	219.7
Cash flow from operating activities	MEUR	271.9	-101.2	+368.7%	215.9	-77.8	+377.5%	7.8
Capital expenditure	MEUR	62.0	47.2	+31.4%	36.6	24.7	+48.2%	137.0
Liquid funds	MEUR	1,614.4	1,450.5	+11.3%	1,614.4	1,450.5	+11.3%	1,279.7
Net liquidity	MEUR	-97.6	585.9	-116.7%	-97.6	585.9	-116.7%	-99.6
Net working capital	MEUR	84.2	90.3	-6.8%	84.2	90.3	-6.8%	160.5



# CHAPTER OVERVIEW



**01** Q2 2019 AT A GLANCE

---

**02** PERFORMANCE Q2 / H1 2019  
AND MARKET UPDATE

---

**03** UPDATE OF BUSINESS AREAS

---

**04** OUTLOOK

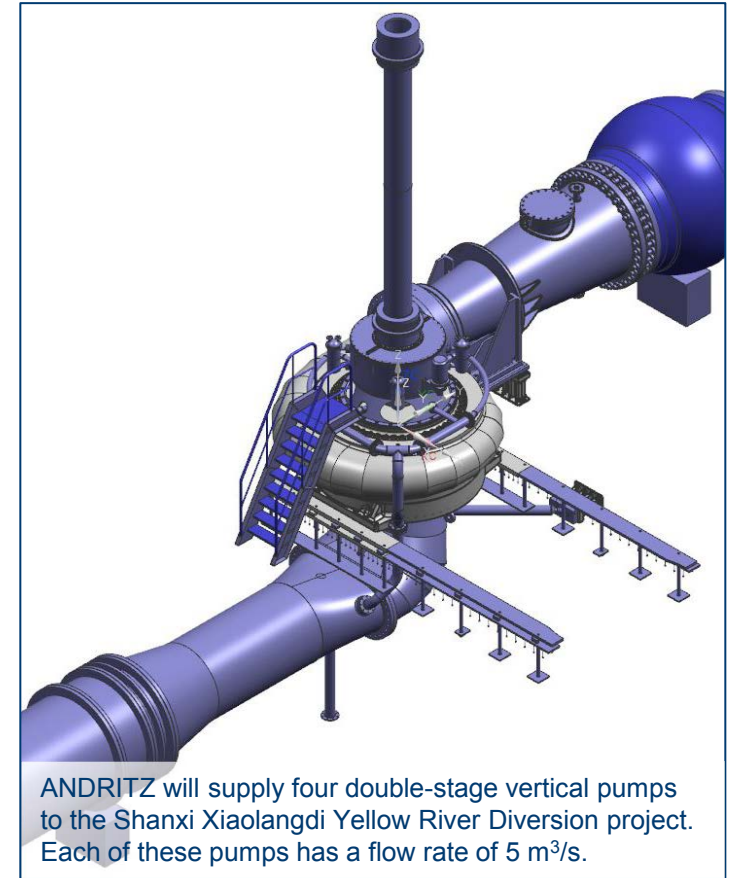
---

# HYDRO (1): UNCHANGED MODERATE MARKET ENVIRONMENT



Selective award of individual projects, particularly in the growing Asian market

- **New hydropower plants**  
Some new, larger projects are currently in the planning phase, especially in Southeast Asia and Africa; selective award of individual projects is likely
- **Pumps**  
Good project activity
- **Modernizations/rehabilitations**  
As a result of the continuing low investment activity by utilities driven by low electricity prices, many modernization projects are still postponed, particularly in Europe
- **Competition**  
Stable competition at challenging level



ANDRITZ will supply four double-stage vertical pumps to the Shanxi Xiaolangdi Yellow River Diversion project. Each of these pumps has a flow rate of 5 m<sup>3</sup>/s.

# HYDRO (2): DESPITE DECLINE IN SALES, IMPROVED EARNINGS AND MARGIN DEVELOPMENT



Order intake at unchanged low level

	UNIT	H1 2019	H1 2018	+/-	Q2 2019	Q2 2018	+/-	2018
<b>Order intake</b> below the low level of last year	MEUR	601.8	753.1	-20.1%	287.9	318.2	-9.5%	1,445.8
	MEUR	2,563.3	2,789.1	-8.1%	2,563.3	2,789.1	-8.1%	2,667.9
<b>Decrease in sales</b> as a result of lower order intake in the last years	MEUR	675.6	724.3	-6.7%	337.2	374.5	-10.0%	1,517.5
	MEUR	60.2	57.1	+5.4%	30.0	29.3	+2.4%	142.4
	%	8.9	7.9	-	8.9	7.8	-	9.4
<b>Project-related improvement of earnings and margin</b>	MEUR	44.0	43.4	+1.4%	23.4	22.2	+5.4%	113.8
	%	6.5	6.0	-	6.9	5.9	-	7.5
Employees (as of end of period; without apprentices)	-	7,332	7,233	+1.4%	7,332	7,233	+1.4%	7,002

ORDER INTAKE BY REGION H1 2019 VS. H1 2018 (%)



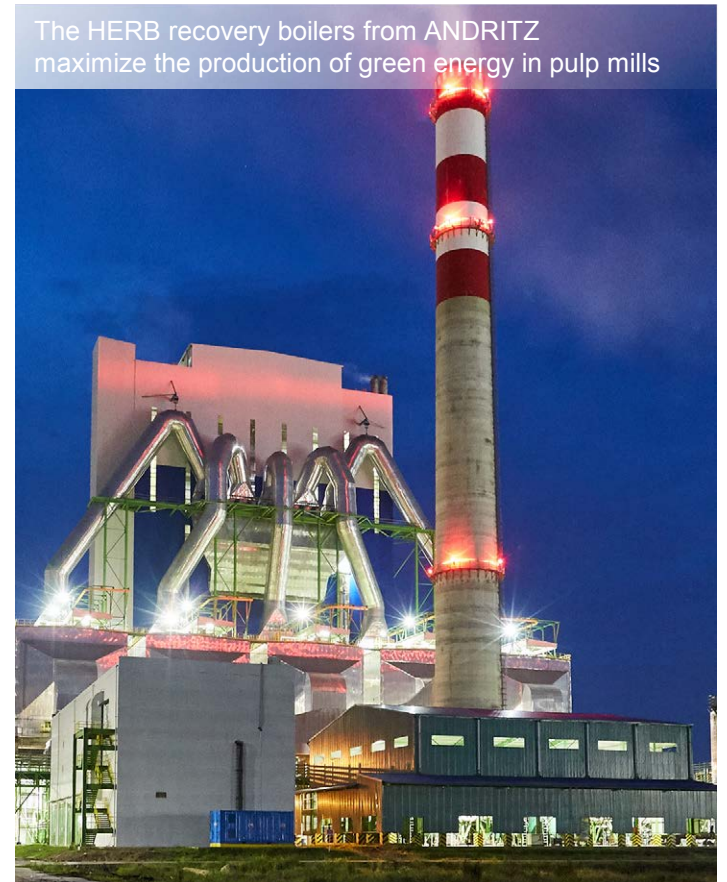
SALES BY REGION H1 2019 VS. H1 2018 (%)



# PULP & PAPER (1): VERY GOOD MARKET ENVIRONMENT



- **Pulp**  
Very good project activity for both modernization of existing pulp mills and greenfield pulp mills (particularly in South America)
- **Paper**  
Satisfactory market development for tissue and packaging equipment continued
- **Power generating boilers**  
Very good project and investment activity, especially in Asia (Japan)
- **Competition**  
Stable competitive environment



# MAJOR PULP ORDERS RECEIVED



- Long-term maintenance and service contract for Arauco's MAPA project in Chile. The service agreement for the entire mill will start in September 2019 and run for more than nine years through to February 2029. It is the largest maintenance and service contract ANDRITZ has ever been awarded  
→ order intake will be booked annually.
- Supply of major pulp production technologies and key process equipment (on EPC basis) for Klabin's pulp mill in Brazil  
→ order booked in Q2 2019.
- Significant pulp mill order (on EPC basis) from an international pulp and paper producer to supply energy-efficient and environmentally friendly pulp production technologies and key process equipment  
→ order expected to be booked in Q3 2019.

The white liquor plant delivered by ANDRITZ in 2016 for Klabin's pulp mill in Ortigueira, Paraná, Brazil, has one of the world's largest recausticizing plants, with 16,000 m<sup>3</sup> white liquor production daily.



# PULP & PAPER (2): VERY FAVORABLE BUSINESS DEVELOPMENT



Strong increase in order intake; earnings and profitability at favorable levels

**Order intake** significantly up, both for the capital and service business

Strong increase in **sales**; mainly driven by the service business with Xerium adding ~113 MEUR to sales in Q2 2019

**Earnings and profitability** at unchanged favorable levels

**Increase** of employees vs. H1 2018 mainly due to acquisition of Xerium, Diatec and Novimpianti

	UNIT	H1 2019	H1 2018	+/-	Q2 2019	Q2 2018	+/-	2018
Order intake	MEUR	1,925.7	1,180.9	+63.1%	1,118.8	723.5	+54.6%	2,571.9
Order backlog (as of end of period)	MEUR	3,054.0	2,098.9	+45.5%	3,054.0	2,098.9	+45.5%	2,421.1
Sales	MEUR	1,310.3	1,009.5	+29.8%	707.6	550.6	+28.5%	2,233.2
EBITDA	MEUR	163.0	106.1	+53.6%	91.1	65.2	+39.7%	258.4
EBITDA margin	%	12.4	10.5	-	12.9	11.8	-	11.6
EBITA	MEUR	123.6	92.9	+33.0%	71.1	58.4	+21.7%	222.1
EBITA margin	%	9.4	9.2	-	10.0	10.6	-	9.9
Employees (as of end of period; without apprentices)	-	11,772	8,242	+42.8%	11,772	8,242	+42.8%	11,435

ORDER INTAKE BY REGION H1 2019 VS. H1 2018 (%)



SALES BY REGION H1 2019 VS. H1 2018 (%)



# METALS (1): CONTINUED LOW PROJECT AND INVESTMENT ACTIVITY IN METALS FORMING



- **Metals Forming**  
Unchanged moderate project and investment activity due to the continuing weak international automotive market as well as due to the economic slow down in China
- **Metals Processing**  
Reduced project activity. Orders placed focused mainly on technologies and plants for the production of advanced high-strength steel grades as well as for the production of aluminum for the automotive industry
- **Competition**  
Unchanged challenging competition



Continuous annealing and processing line for automotive sheets

# RESTRUCTURING OF SCHULER



## Necessary cost and capacity cuts to reduce underabsorption

- Worldwide very low investment activity by automobile producers and their suppliers
- Cost base of Schuler in Germany not competitive
- Restructuring necessary to ensure long-term profitability and competitiveness of Schuler:
  - Reduction of manufacturing capacities in Germany  
→ partial shift to China and Brazil
  - Reduce number of **personnel by 500 people**, mainly in manufacturing
  - Total **one-off provisions of around 85 MEUR + impairment of goodwill of 25 MEUR**
  - First savings from restructuring expected by H2/2020
  - Together with the restructuring program 2018, total **cost savings of 60 MEUR expected as from 2022**



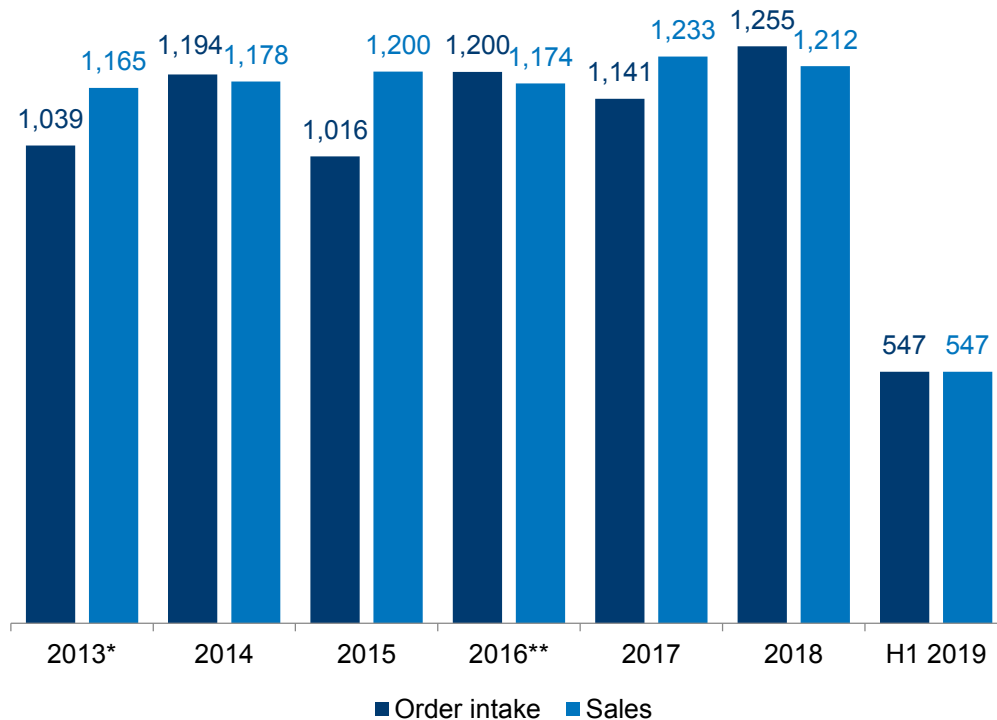


# SCHULER: ORDER INTAKE AND SALES 2013-H1 2019



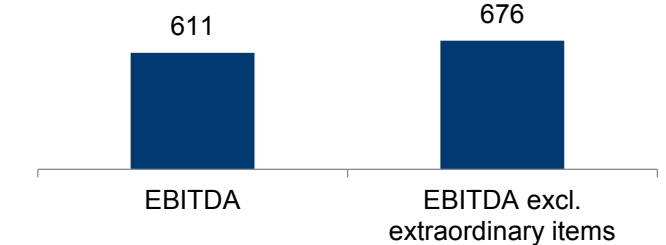
Despite acquisitions order intake practically flat over the last five years

ORDER INTAKE AND SALES (IN MEUR)

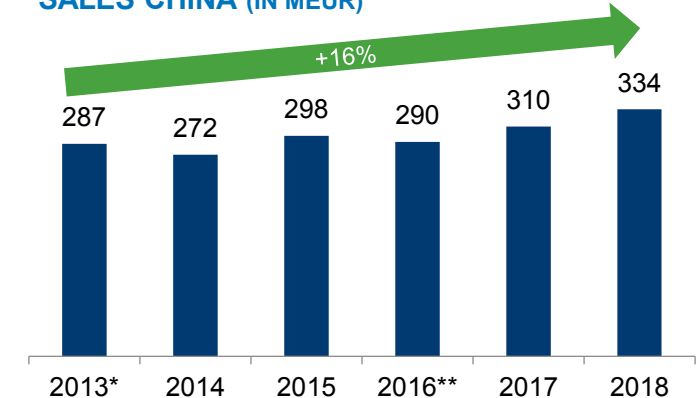


- Purchased in 2013 (purchase price: ~600 MEUR) → business plan assumed lower sales going forward
- Acquisition multiple: 4.1 EV/EBITDA  
Actual six year average: 5 / 4.6 (excl. extraordinary items)
- Two restructuring programs in 2013 and 2015 with a total of 60 MEUR implemented
- Acquisition of Yadon in 2016 to expand business in the Chinese growth market
- Some shift of production capacities to China
- Weakness of the global automotive market in 2018 leads to under-absorption especially in Germany

AGGREGATED EBITDA 2013- H1 2019 (IN MEUR)



SALES CHINA (IN MEUR)



\* First-time consolidation of the Schuler Group as of March 2013; pro forma

\*\* First-time consolidation of Yadon and Aweba as of July 2016

# METALS (2): UNSATISFACTORY BUSINESS DEVELOPMENT



Earnings and profitability down in Metals Processing and Metals Forming

**Order intake** in Q2 2019 only slightly down y/y

**Decrease in sales** in Q2 2019, mainly due to Metals Forming

**Earnings and profitability** significantly down due to

- execution of lower-margin orders and
- under-utilization in Metals Forming (Schuler).
- Cost overruns in Metals Processing

	UNIT	H1 2019	H1 2018	+/-	Q2 2019	Q2 2018	+/-	2018
Order intake	MEUR	809.8	946.7	-14.5%	461.7	478.9	-3.6%	1,931.8
Order backlog (as of end of period)	MEUR	1,654.2	1,493.9	+10.7%	1,654.2	1,493.9	+10.7%	1,591.6
Sales	MEUR	758.7	742.4	+2.2%	370.9	394.9	-6.1%	1,635.1
EBITDA	MEUR	15.8	32.1	-50.8%	3.0	15.3	-80.4%	57.8
EBITDA margin	%	2.1	4.3	-	0.8	3.9	-	3.5
EBITA	MEUR	-6.9	17.7	-139.0%	-8.4	7.9	-206.3%	27.3
EBITA margin	%	-0.9	2.4	-	-2.3	2.0	-	1.7
Employees (as of end of period; without apprentices)	-	7,680	7,690	-0.1%	7,680	7,690	-0.1%	7,818

ORDER INTAKE BY REGION H1 2019 VS. H1 2018 (%)



SALES BY REGION H1 2019 VS. H1 2018 (%)



# SEPARATION (1): GOOD PROJECT AND INVESTMENT ACTIVITY CONTINUED



Particularly for solid/liquid separation equipment

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



ANDRITZ Aqua-Screen T

# SEPARATION (2): IMPROVED BUSINESS DEVELOPMENT



Order intake below the very high level of last year, which included a larger order

**Order intake** in Q2 2019 below the high level of last year, which included a larger order in China

Increase in **sales** due to the positive development of order intake in solid/liquid separation in the past few quarters

**Earnings and profitability** up as a result of higher sales

	UNIT	H1 2019	H1 2018	+/-	Q2 2019	Q2 2018	+/-	2018
Order intake	MEUR	367.9	388.6	-5.3%	178.7	215.9	-17.2%	696.7
Order backlog (as of end of period)	MEUR	452.7	459.2	-1.4%	452.7	459.2	-1.4%	403.7
Sales	MEUR	317.8	286.9	+10.8%	157.6	152.1	+3.6%	645.7
EBITDA	MEUR	23.7	16.4	+44.5%	12.0	8.1	+48.1%	39.4
EBITDA margin	%	7.5	5.7	-	7.6	5.3	-	6.1
EBITA	MEUR	16.8	12.3	+36.6%	8.5	6.1	+39.3%	31.1
EBITA margin	%	5.3	4.3	-	5.4	4.0	-	4.8
Employees (as of end of period; without apprentices)	-	2,832	2,858	-0.9%	2,832	2,858	-0.9%	2,841

ORDER INTAKE BY REGION H1 2019 VS. H1 2018 (%)



SALES BY REGION H1 2019 VS. H1 2018 (%)



# CHAPTER OVERVIEW



**01** Q2 2019 AT A GLANCE

---

**02** PERFORMANCE Q2 2019  
AND MARKET UPDATE

---

**03** UPDATE OF BUSINESS AREAS

---

**04** OUTLOOK



---

# OUTLOOK: GUIDANCE FOR 2019 CONFIRMED



Largely unchanged prospects for markets served

- For **2019**, ANDRITZ continues to expect a **significant increase in sales** compared to 2018 due to **high order backlog** and **sales contributions** by the **companies acquired in 2018**
- **Profitability (EBITA margin)** expected to reach the **level of 2018 excluding extraordinary effects** (EBITA margin: 6.9%)

Market outlook			
Hydro	Pulp & Paper	Metals	Separation
Satisfactory 	Very Good 	Satisfactory 	Very good 

# DISCLAIMER



This presentation contains valuable, proprietary property belonging to ANDRITZ AG or its affiliates (“the ANDRITZ GROUP”), and no licenses or other intellectual property rights are granted herein, nor shall the contents of this presentation form part of any sales contracts that may be concluded between the ANDRITZ GROUP companies and purchasers of any equipment and/or systems referenced herein. Please be aware that the ANDRITZ GROUP actively and aggressively enforces its intellectual property rights to the fullest extent of applicable law. Any information contained herein (other than publically available information) shall not be disclosed or reproduced, in whole or in part, electronically or in hard copy, to third parties. No information contained herein shall be used in any way either commercially or for any purpose other than internal viewing, reading, or evaluation of its contents by the recipient, and the ANDRITZ GROUP disclaims all liability arising from the recipient’s use or reliance upon such information. Title in and to all intellectual property rights embodied in this presentation and all information contained therein is and shall remain with the ANDRITZ GROUP. None of the information contained herein shall be construed as legal, tax, or investment advice, and private counsel, accountants, or other professional advisers should be consulted and relied upon for any such advice.

All copyrightable text and graphics, the selection, arrangement, and presentation of all materials, and the overall design of this presentation are © ANDRITZ GROUP 2019. All rights reserved. No part of this information or materials may be reproduced, retransmitted, displayed, distributed, or modified without the prior written approval of the owner. All trademarks and other names, logos, and icons identifying the owner’s goods and services are proprietary marks belonging to the ANDRITZ GROUP. If the recipient is in doubt whether permission is needed for any type of use of the contents of this presentation, please contact the ANDRITZ GROUP at [welcome@andritz.com](mailto:welcome@andritz.com).