Company presentation

August 2006

Disclaimer

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- **Company profile**
- **Acquisition of VA TECH HYDRO**
- **Growth drivers for Andritz's Business Areas**
- **Outlook and long-term goals**

A world market leader in most business areas

Production systems and services for:

Pulp & Paper	Hydro Power	Rolling Mills & Strip Processing	Environment & Process	Feed & Biofuel
45% of Group Sales*	24% of Group Sales*	15% of Group Sales*	12% of Group Sales*	4% of Group Sales*
Systems for production of all types of pulp and certain paper grades	Turnkey electro-mechanical equipment for hydro power plants; Pumps	Systems for production and processing of cold-rolled stainless and carbon steel	Systems for mechanical and thermal solid/liquid separation for municipalities and industries	Systems for production of animal feed and wood / biofuel pellets

* Share of Sales based on pro-forma 2006 numbers including VA TECH HYDRO

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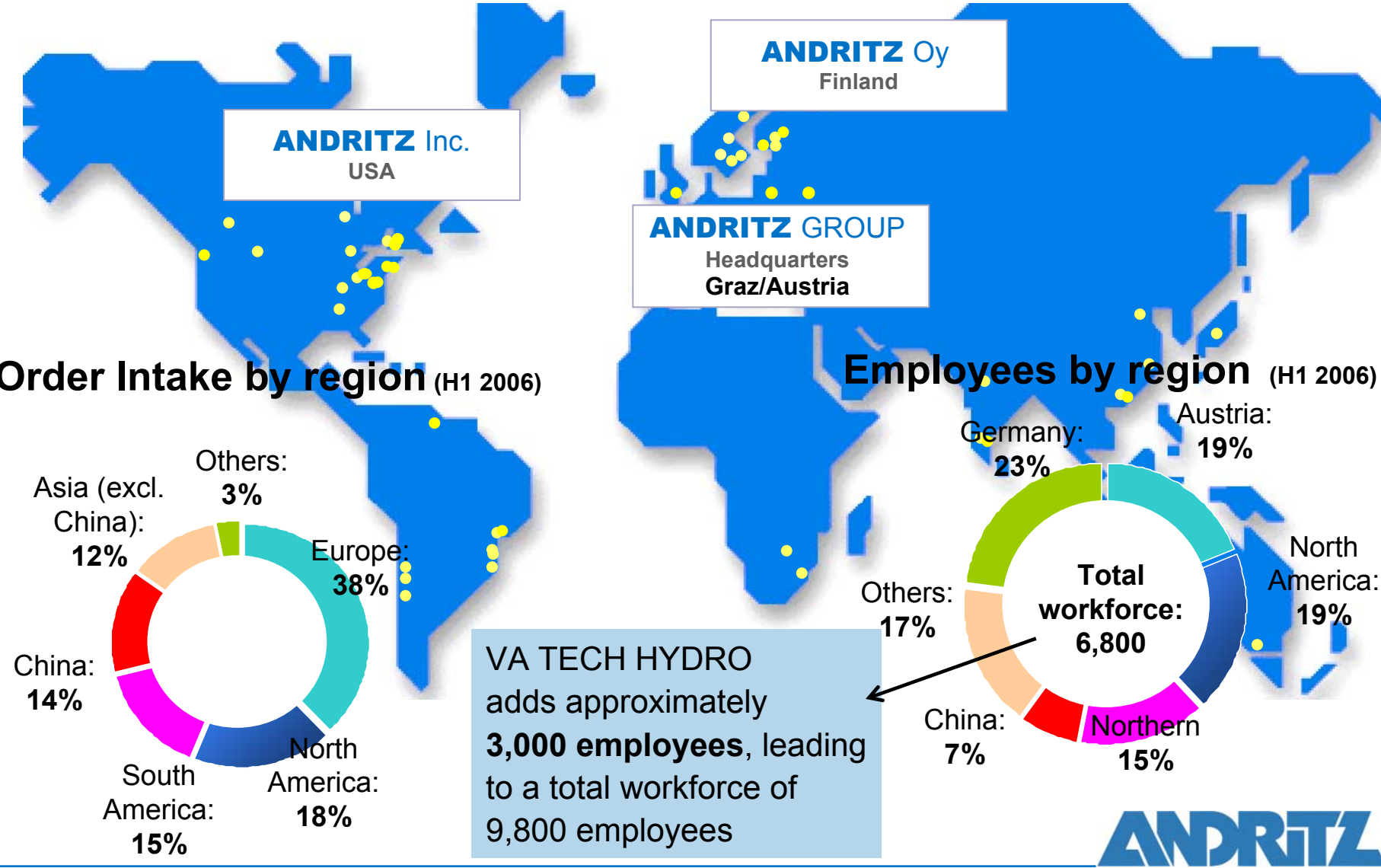
Global company with global customers



Strategy

- Continued average sales growth of at least 10% p.a.
  - Organic growth through intensive R&D
  - Complementary acquisitions
- Global organization
- Expansion of service business
- Cost leadership

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Complementary acquisitions

Pulp & Paper

1990 Sprout-Bauer
1992 Durametal
1994 Kone Wood
1998 Kvaerner Hymac
1999 Winberg
2000 Ahlstrom Machinery
2000 Lamb Baling Line
2000 Voith Andritz Tissue LLC (JV)
2002 ABB Drying
2003 IDEAS Simulation
2003 Acutest Oy
2003 Fiedler
2004 EMS (JV)
2005 Cybermetrics
2005 Universal Dynamics Group
2006 Küsters
2006 Pilao

Rolling Mills and Strip Processing Lines

1997 Sundwig
1998 Thermtec
2000 Kohler
2002 SELAS SAS Furnace Div.
2004 Kaiser
2005 Lynson

Environment and Process

1992 TCW Engineering
1996 Guinard
2002 3SYS
2004 Bird Machine
2004 Netzsch Filtration
2004 Fluid Bed Systems of VA TECH WABAG
2005 Lenser Filtration

Feed and Biofuel

1995 Jesma-Matador
2000 UMT
2005 Chemes Strojarne

Hydro Power

2006 VA TECH Hydro

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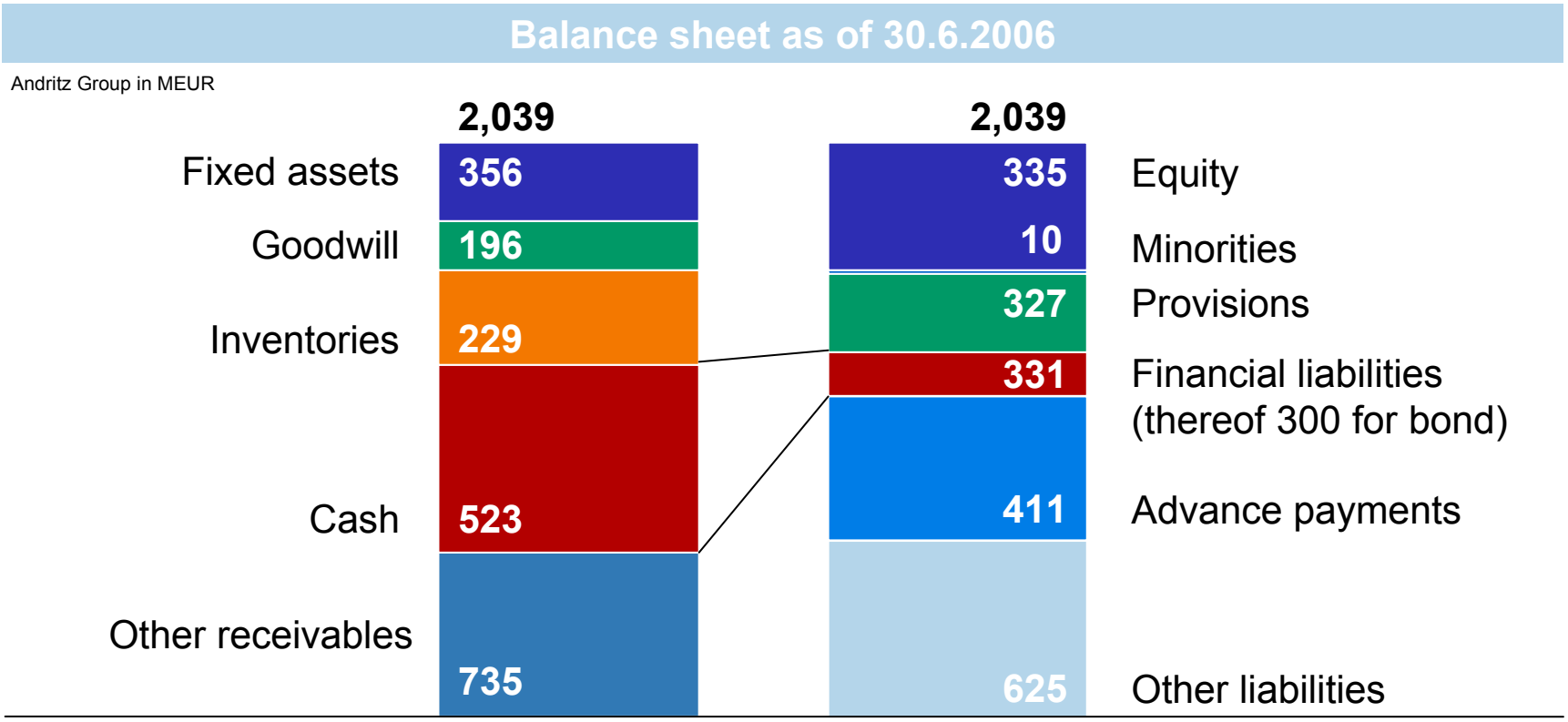
Highlights of H1 2006

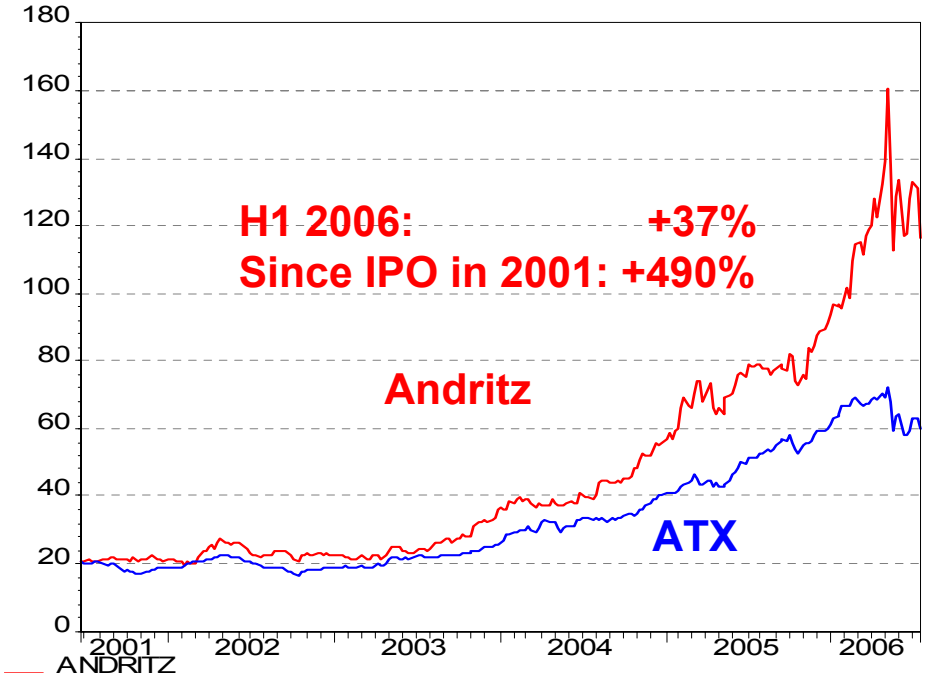
Order Intake & Order Backlog	▪ Group Order Intake in H1 2006, at over 1.2 bn. EUR, significantly over reference period of last year (+43%) ▪ High level of Order Backlog of more than 2 bn. EUR as solid basis for Sales growth in 2006
Sales	▪ Strong, mostly organic Sales growth to 967 MEUR (+24% vs. H1 2005) ▪ Solid development in all Business Areas
Earnings	▪ Increase of EBIT to 57.7 MEUR (H1 2005: 45.2 MEUR) in line with Sales growth ▪ Slight increase of EBIT margin to 6.0% (H1 2005: 5.8%) ▪ Net income after minorities: 39.9 MEUR (+23.5% vs. H1 2005)
Balance sheet	▪ Significant increase in Total Assets due to first-time consolidation of VA TECH HYDRO and bond issue ▪ As a result, decrease of equity ratio to 16.9% as of 30.6.2006 (31.12.2005: 23.6%) ▪ Net liquidity, at 192.4 MEUR, down to long-term average level

Balance sheet structure

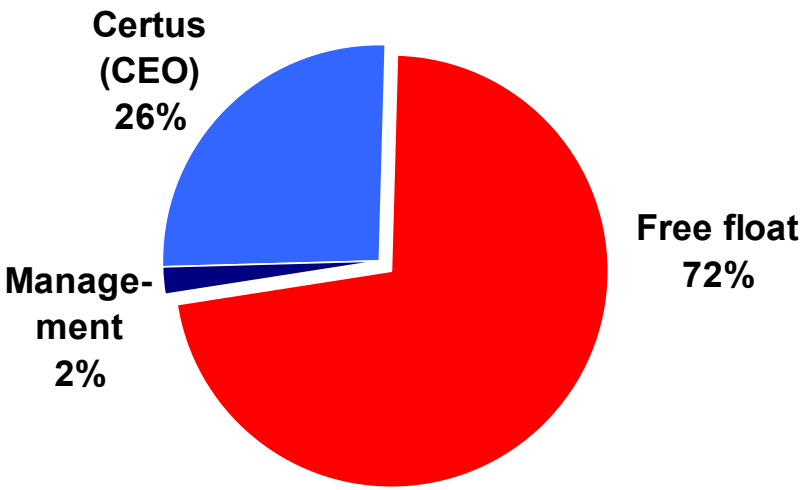


- Significant increase of Total Assets (from 1,391 MEUR as of 31.12.2005 to 2,039 MEUR as of 30.6.2006) due to bond issue (200 MEUR) and first-time consolidation of VA TECH HYDRO (+500 MEUR)
- As a consequence, equity ratio as of 30.6.2006 decreased to 16.9% (31.12.2005: 23.6%)
- Net liquidity as of 30.6.2006, at 192.4 MEUR, down compared to high level as of the end of last year (31.12.2005: 383.9 MEUR)

Solid performance of the Andritz share



Shareholder structure



Market capitalization: ~ EUR 1.6 bn.

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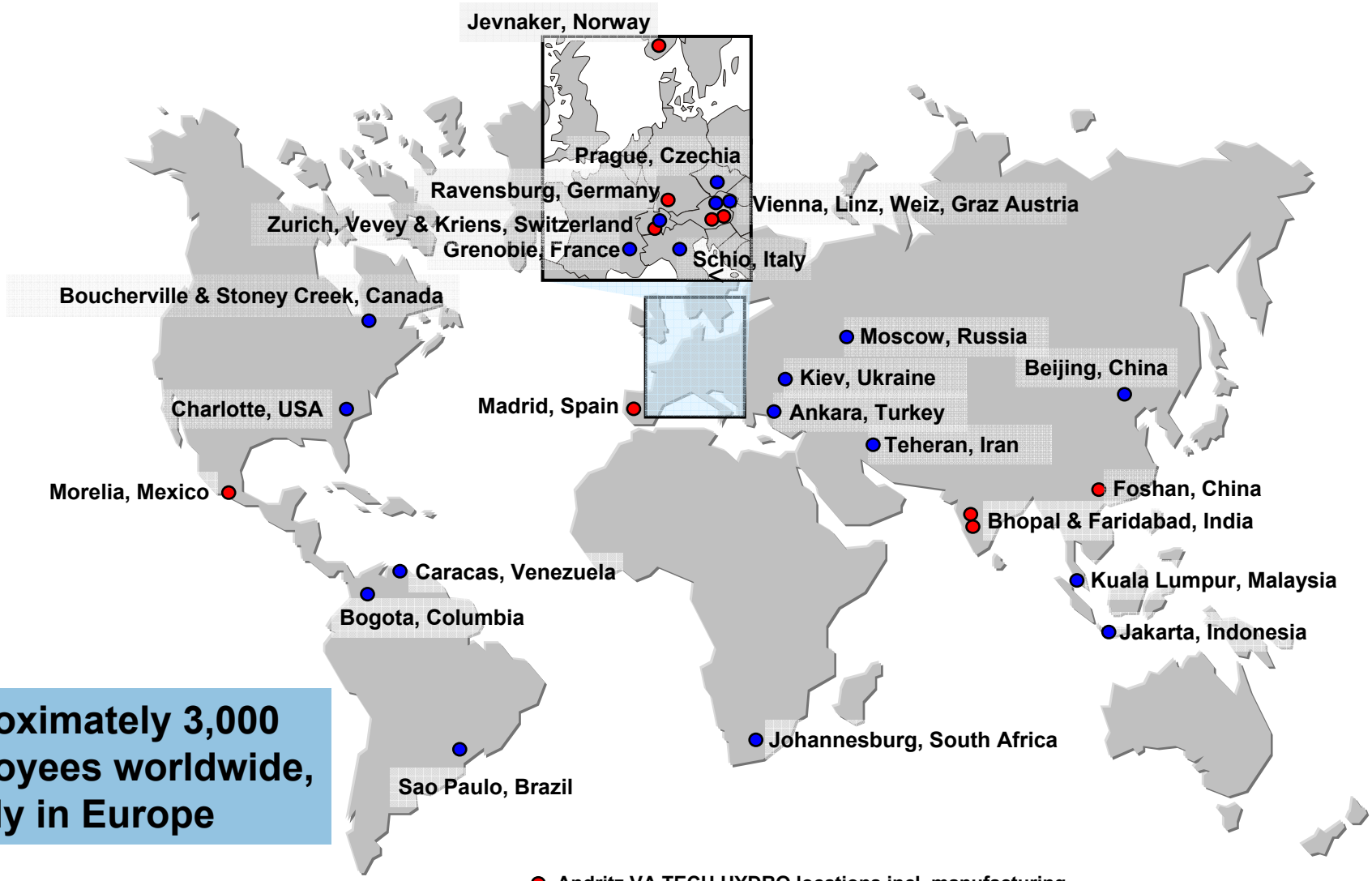
Acquisition of VA TECH HYDRO

- **Andritz VA TECH HYDRO** is a **global supplier of turnkey electro-mechanical equipment** and services ("Water to Wire") for hydropower plants with a leading position in the growing market of plant refurbishment
- Among the world's top 3 suppliers with more than 160 years of experience
- Perfect fit for Andritz's product range of water turbines
- Annual Sales of approx. 600 MEUR; included in Andritz Group P&L from Q3 2006
- Integrated into new "Hydro Power Business Area" (~25% of pro forma Group Sales)

Andritz VA TECH HYDRO worldwide



Approximately 3,000 employees worldwide, mainly in Europe

Andritz and VA TECH HYDRO: combined forces

Strong Competitive Position	■ One of the leading global manufacturers of hydro power equipment with a presence in virtually all categories of water turbines ■ Excellent reputation in the market and strong customer relationships ■ Large installed base and strong track record
Growth Potential	■ Replacement, upgrade and service requirements in core European markets due to ageing hydro power plant base ■ Growth opportunities in emerging markets driven by growing electricity demand (Asia, South America)
Financial Performance	■ Good earnings performance compared to its peers due to strong cost management; goal to bring profitability up to Group level ■ Strong recurring service revenues from large installed base, reducing earnings volatility ■ Good management of risks related to large projects
Similar Strategy to Andritz	■ Both VA TECH HYDRO and Andritz have a strong track record in the successful execution of large-scale engineering projects ■ Both companies pursue strategy of offering customers integrated systems solutions ■ Both VA TECH HYDRO and Andritz have a long tradition in hydro power business

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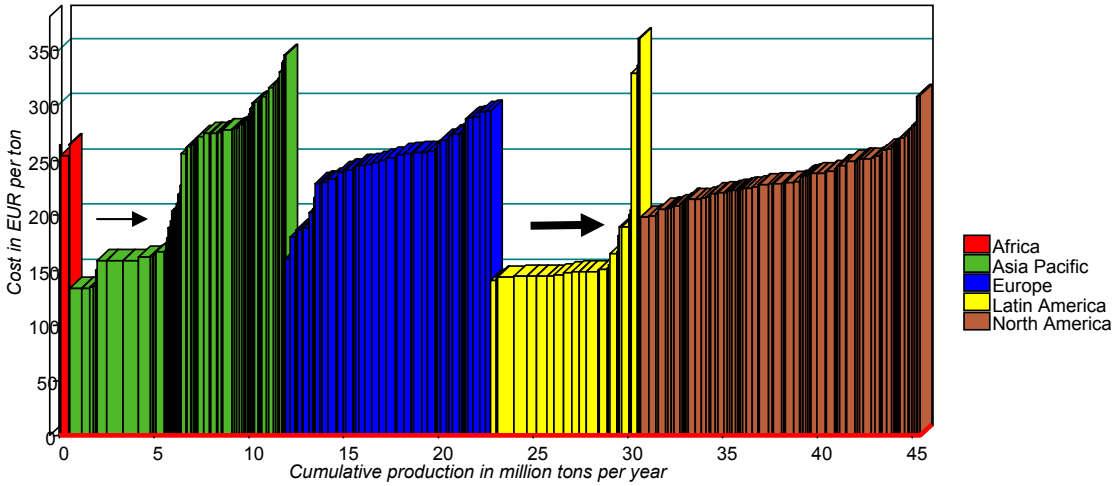
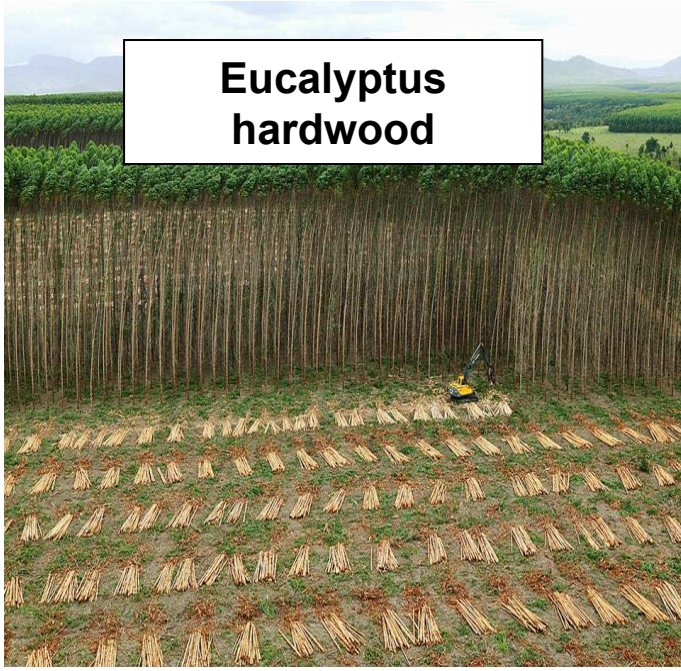
Shift in production to Southern hemisphere

Fast growing plantations lead to significant cost advantages

Cumulative cost curves of hardwood kraft pulp mills by region:



Cost = variable costs: wood, energy, chemicals, labor, other materials;
Source: Fisher database



20-50 m³/ha, first harvest 6-8 years

Several orders received during the last months:

- Sappi Saiccor, South Africa: 100 MEUR
- Aracruz Celulose, Brazil: 65 MEUR
- Klabin, Brazil: 50 MEUR

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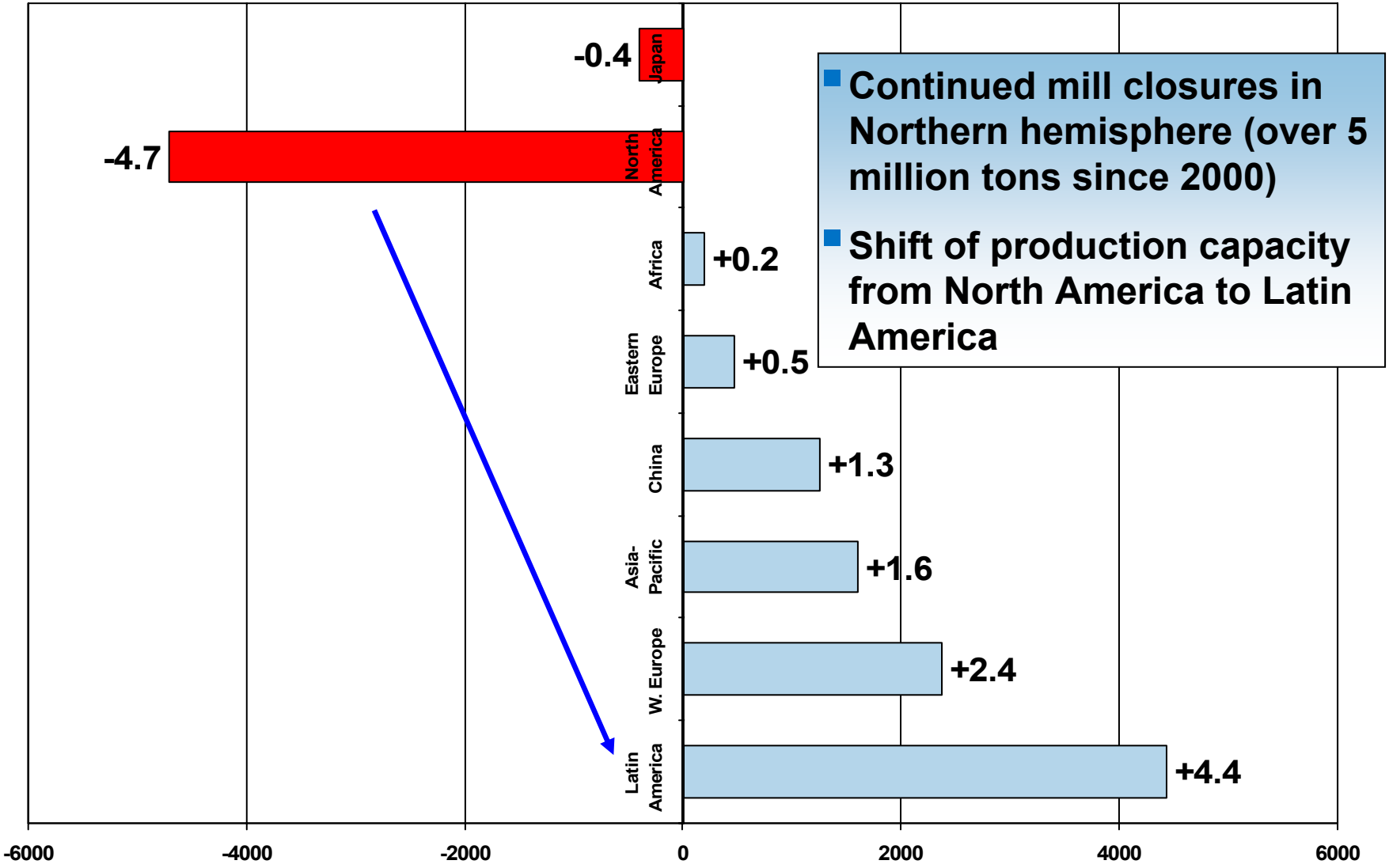
Development of chemical pulp net capacity by region 2000-2006

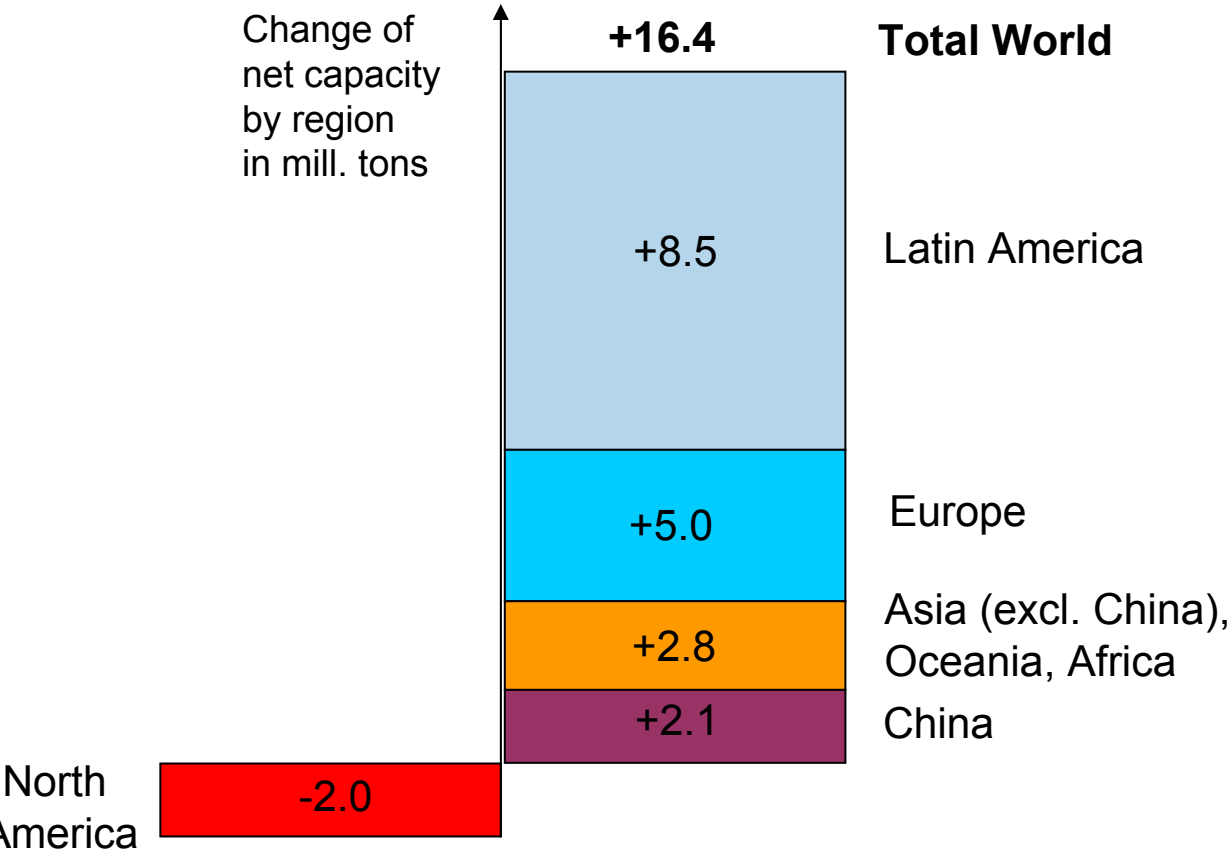


- Continued mill closures in Northern hemisphere (over 5 million tons since 2000)
- Shift of production capacity from North America to Latin America

Source: Jakko Pöyry, all data in million tons

World chemical pulp net capacity growth 2006-2010E

Total chemical pulp net capacity growth 2006-2010E: **+16.4 million tons**

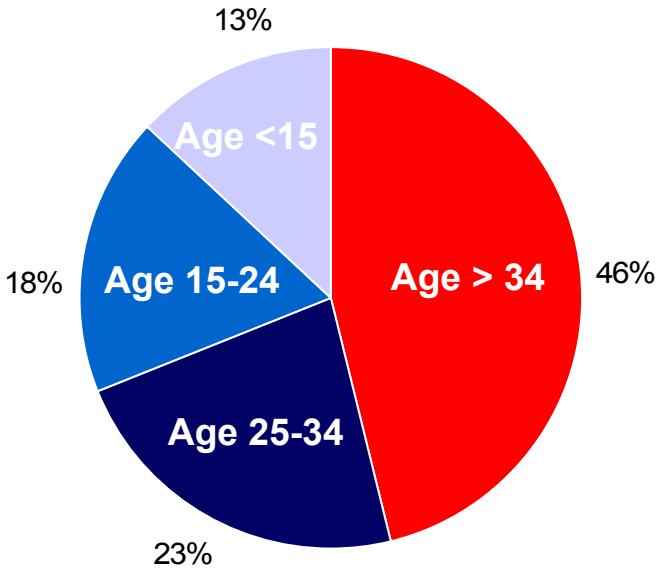


- **Approx. 50% of the net capacity will be added in Latin America, and 30% in Europe**
- **For North America, a net decrease of at least 2 million tons is expected**

Source:RISI

Production lines 25 years or older represent 69% of capacity

Age* structure of world chemical pulp lines (Q1 2006):



- **Approximately two thirds of the world's chemical pulp mills are 25 years and older**
- **Most of the mills are located in the Northern hemisphere**

* counted from original start-up year, possible modernizations have not been considered

Source: Andritz, based on Fisher Databank May 2006

Good project activity for Rolling Mills and Strip Processing Lines

- Overall **continued good project activity** with focus on plants for production of high-quality steel and stainless steel products, mainly in:
  - **China:** modernization of domestic steel industry and continued expansion of stainless steel capacities due to fast growing demand
  - **India:** increased project activity in carbon and stainless steel
  - **Europe:** modernizations and capacity enlargements

Annealing and pickling line for SKS, China

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Environment and Process: Excellent growth prospects

- Andritz offers **complete systems for solid/liquid separation** (centrifuges, thermal driers) for various types of sludges from municipalities and industries
- **Directives and stringent environmental regulations** as long-term major growth drivers, especially in Europe and the U.S.
- **Increased demand from mining and steel industries** due to global shortage of raw materials (iron ore, coal, etc.)

Drum drying plant Bran Sands, UK

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Outlook for 2006

- Overall solid economic environment

- Good project activity expected to continue in all Business Areas:
  - **Pulp and Paper:** modernizations and potentially some green field pulp mills in South America and Asia
  - **Steel:** focus on plants for production of high-quality steel and stainless steel products, especially in China, India, and Europe
  - **Environment and Process**: solid project activity due to increasingly stringent environmental regulations and continued high demand for industrial sludge dewatering applications equipment
  - **Hydro Power:** good project activity worldwide, with focus on Asia and South America (esp. new plants) as well as North America and Europe (esp. modernizations)

- Increase in **Group Sales** to approx. 2.5 billion Euros in 2006 (~+40% vs. 2005) expected; percentage increase in Group EBIT expected to be slightly below Sales growth due to first-time consolidation of VA TECH Hydro

Key financial objectives

- Continued average sales growth of 10% p.a.
- EBIT margin of 7%
- ROCE substantially above 20%
- Increase dividend payout ratio up to 40%

A Global Market Leader

in High-Tech Production Systems for Pulp & Paper, Steel and other Specialized Industries