



The Managing Board of Andritz AG (from left to right):
Franz Hofmann, Friedrich Papst, Wolfgang Leitner (President & CEO),
Markku Hänninen, Bernhard Rebernik

LETTER FROM THE BOARD

**Ladies and Gentlemen,
Dear Shareholders,**

In 2004, the Andritz Group achieved its best financial results since the founding of the Company over 150 years ago. Sales, Net Income, and Order Intake reached record levels and grew substantially over the previous year. In all major business and product segments Andritz booked large and important reference orders, thus confirming its leading global market positions in all of its Business Areas.

The contract from CMPC Celulosa S.A. in Chile for the supply of a complete new fiberline (including chemical recovery) is worth special mentioning. This large order confirms the validity of Andritz's strategy: focused R&D, acquisition of complementary companies and technologies, quick integration of these acquisitions into the overall business, and intensive cost-reduction measures. By buying integrated process solutions and leading technologies from one supplier, our customers benefit from an optimized production process and seamless project execution.

In Asia, especially in China, Andritz booked a number of important reference orders for Rolling Mills and Strip Processing Lines, as well as Pulp and Paper equipment. These orders have strengthened – and in some areas further extended – the market position in this region. The measures taken by the Chinese government to avoid overheating and too fast growth in some industry segments (e.g. in steel and cement) appear to have the desired effect, while maintaining the needed, very substantial investment level, particularly of the large, established, and experienced companies. For this reason, good project activity is anticipated in China in 2005.

In 2004, the Andritz Group continued its strategy of acquiring companies with complementary products/technologies. The acquisitions of Bird Machine, NETZSCH Filtration, Otto Kaiser, and VA TECH WABAG's fluidized bed drying systems further strengthen the Group's product portfolio and technology expertise in the Environment and Process, and the Rolling Mills and Strip Processing Lines Business Areas.

Bird Machine and NETZSCH Filtration improve Andritz's market position in solid/liquid separation for municipal and industrial applications, and also reduce dependency on the comparatively volatile dryer business. The purchase of the fluidized bed drying systems Business Area from VA TECH WABAG adds an important technology to the product range and extends Andritz's capabilities, which have been focused on sewage sludge, to also cover applications for product drying, such as minerals, salts, chemicals, petrochemicals, food, feed, and pigments.

With these acquisitions, Sales of the Environment and Process Business Area are approximately 220 MEUR annually, representing a sufficient size and solid basis for further organic growth in the dewatering and drying areas.

With the purchase of certain assets of Otto Kaiser (a manufacturer of high-performance mechanical presses for the processing of steel strip into stampings and drawing parts), the Rolling Mills and Strip Processing Lines Business Area extends its process capabilities for the "downstream" area

of steel strip finishing. This acquisition is the logical continuation of the Business Area's strategy to focus on value-added steel strip production. In addition, the Business Area's dependence on China is also balanced, as Kaiser's business activities are primarily focused on Europe.

One of the major corporate goals for 2005 will be the smooth integration of the newly acquired companies into the Group, so that optimum synergies can be quickly realized. Due to the fast growth and the size of the Group, it is necessary to follow Group-wide rules for Controlling, Accounting, Treasury, Production, Purchasing, and IT on a wider basis. Implementation of the new Andritz Group ERP system is an important step in this direction. The blueprint phase of the project, which had been launched in March of 2004, was finalized at the end of the reporting year. Over the next years, the Andritz Group will gradually switch to a uniform ERP system.

Continuous increase of the quality of our systems and products is a permanent and high-priority goal of Andritz. In 2005, we will again launch several new Group-wide projects to further increase our already high level of product quality. Through the implementation of a focused Group-wide project team, we aim at further enhancing our quality assurance procedures. This should result in increased customer satisfaction and an overall cost reduction for warranties.

Finally, here are a few words about the long-term development of the Company. Intensive R&D initiatives and complementary acquisitions have helped considerably strengthen, and in some areas expand, Andritz's global market position. These initiatives will continue in 2005, as will the focus on product innovations that improve efficiency and reduce consumption (chemicals, raw materials, etc.). At the same time, programs are in place to further reduce manufacturing and overhead costs in order to increase the Group's competitiveness. Based on this strategy, the medium-term goal is to achieve a business volume of two billion Euros by 2007 while increasing profitability of the Company.

The very favorable business development of the Andritz Group is mirrored in the strong rise of the Andritz share price during 2004, which is being watched closely by financial analysts, shareholders, business partners, and customers. After the full withdrawal of the financial investors in the summer of 2004, Andritz is a true public company with a free float of more than 70%.

The Managing Board of Andritz wants to thank all employees for their contributions and performance during 2004. The Board also wishes to thank each customer and business partner for the confidence they have placed in us. For 2005, we will do the utmost to fully meet their requirements and expectations.

The Managing Board

Graz, March 2005

The image shows five handwritten signatures in black ink. The first row contains three signatures: 'W. Pfeil', 'F. Ledermann', and 'F. Van'. The second row contains two signatures: 'H. Krenn' and 'A. Andritz'.