

CORPORATE GOVERNANCE

Compliance with newly revised Code

Andritz endorses compliance with the Austrian Corporate Governance Code, which was initially introduced in September 2002 and revised in early 2006. It regards the Code as an essential means to implement responsible management and control of Andritz, which is directed towards creating added value.

Implementation of and compliance with the Code will promote and intensify the confidence of shareholders, investors, customers, employees, suppliers, representatives of the media, and other stakeholders in the Company. The Managing Board and the Supervisory Board, as well as the entire staff of Andritz, are committed to complying with the newly revised Code.

Besides the mandatory "L" Rules, which refer to legal requirements, Andritz explains the requirements of and the deviations to the Code's "C" Rules as follows:*)

Rule 30

The members of the Managing Board are entitled to receive pension scheme benefits. In addition to a retirement pension, these include benefits in the event of occupational disability, as well as pension payments for dependents following the death of the beneficiary. The retirement pension is normally paid from a certain age provided that the employment contract has already been terminated by this date. The administration has been transferred to a pension fund; in the event that the employment contract is terminated prematurely, contributions made up to this point shall still be vested. The pension amount to which the beneficiary is entitled is not subject to an escalation clause before any benefits become payable, but will be adjusted annually thereafter. Each member of the Managing Board shall, upon termination of his/her function and concurrent termination of employment, be entitled to severance payments in the meaning of Article 23 of the Austrian Employees Act.

Rule 34

The information and reporting obligations of the Managing Board as well as the setting up of various committees are stipulated in the Company's Articles of Association, which are available on the Andritz AG website.

Rule 38

Andritz AG Articles of Association do not stipulate an age limit for its Managing Board members. Appointment of Managing Board members is solely contingent on personal and professional qualifications.

Rule 39

The Supervisory Board of Andritz AG shall nominate committees depending on the prevailing situation and necessities. These committees can be composed of all members of the Supervisory Board.

Rule 41

The Supervisory Board of Andritz AG does not have a separate nomination committee. The Supervisory Board of Andritz AG is composed of experts from different fields, who hold constructive sessions at regular intervals to discuss, inter alia, the filling of vacant Managing Board positions and the planning of succession.

Rule 43

The Supervisory Board of Andritz AG does not have a separate remuneration committee. The Supervisory Board of Andritz AG is composed of experts from different fields, who hold constructive sessions at regular intervals to discuss, inter alia, the remuneration of the Managing Board and employment contracts.

Rule 49

Schönherr Rechtsanwälte GmbH provides legal advice to Andritz. Hellwig Torggler, Deputy Chairman of Andritz AG's Supervisory Board, is an attorney-at-law and senior partner of Schönherr Rechtsanwälte GmbH. The fees that have been paid to Schönherr Rechtsanwälte in 2005 are to be considered as minor.

Rule 51

The remuneration of the Supervisory Board is paid to the Chairman, Deputy Chairman, and the Members of the Supervisory Board at the ratio of 2:1.5:1.

Rule 53

With regard to independence criteria, the Supervisory Board of Andritz AG follows the guidelines of annex 1 of the Corporate Governance Code. According to these guidelines, all members of the Andritz Supervisory Board, with the exception of Hellwig Torggler, can be seen as independent.

Rule 54

The free float of Andritz is over 70%. No member of Andritz AG's Supervisory Board owns more than 10% of the company. With regard to the independence criteria of the Supervisory Board members, please see explanations to Rule 53.

Rule 57

Andritz AG Articles of Association do not stipulate an age limit for its Supervisory Board members. Appointment of Supervisory Board members is solely contingent on personal and professional qualifications.

The complete Corporate Governance Code can be accessed and downloaded from the Andritz website (www.andritz.com). The website also contains Andritz's statement on compliance with the Code, including explanations to deviations.

*) The Austrian Code of Corporate Governance encompasses the following three categories of rules: **Legal Requirement (L)**: referring to mandatory legal requirements; **Comply or Explain (C)**: this rule is to be followed; any deviation must be explained and the reasons stated in order to be in compliance with the Code; **Recommendation (R)**: the nature of this rule is a recommendation; non-compliance with this rule requires neither disclosure nor explanation.