

HUMAN RESOURCES

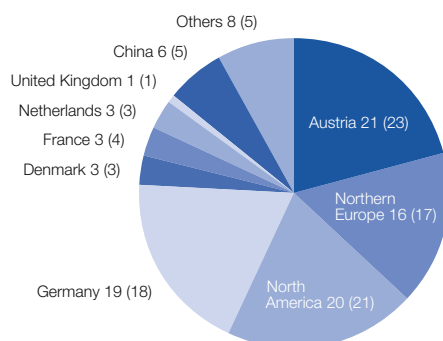
Technical Careers Program developed

All major Andritz Human Resources (HR) activities are coordinated globally and are conducted in accordance with the Group's quality management system. Besides global training activities, HR managers from different regions share their experiences in regular conference calls and discuss relevant tasks and goals. Continuous training of all employees is the major goal of Andritz HR. In total, the Andritz Group spent more than two million Euros for internal and external training courses in 2005.

Number of employees

As of December 31, 2005, the Andritz Group had a total of 5,943 employees (2004: 5,314). This increase of 11.8% compared to 2004 is mainly due to the acquisitions of Lenser Filtration and Universal Dynamics Group, and also due to continued staff increases at the Andritz affiliates in China, which have shown a very successful development during the past years.

Employees by region 2005 (2004) in %



Activities in 2005

All relevant vacancies within the Andritz Group were well filled with highly qualified candidates. Recruiting activities are ongoing to secure future staff requirements and to support internal growth of the Andritz Group.

In order to support personnel marketing activities and to attract highly qualified graduates, Andritz Human Resources continued to intensify its contacts with universities in Austria and Finland, and participated in several job fairs organized by these universities.

The Group-wide management training program for future executives of the Andritz Group was continued with success. Employees from fifteen different Andritz Divisions, departments, and Group companies from nine different countries participated in the first module of the "Andritz Management Challenge Program 2005/2006". This international mix was very beneficial to improving intercultural awareness and Group-wide cooperation. Module 2 of this program is scheduled for the spring of 2006.

Additional modules under the Management Challenge Program were tailored together with Management Zentrum St. Gallen, Switzerland. These modules will offer topics to improve and strengthen leadership skills mainly for graduates of the first module of the Management Challenge Program.

The qualification structure of the staff remained nearly unchanged. During the reporting year, HR conducted employee surveys in some Group Divisions to obtain information on job satisfaction and working environment, yielding mostly favorable replies. Many vacancies were filled with female candidates. To enable employees to reconcile job and family requirements, Andritz encourages authorities to provide sufficient nursery facilities near its offices.

To retain experienced technical experts and to attract and recruit new highly-qualified technicians, a Group-wide "technical careers program" is being developed. In all main Andritz locations interviews have been conducted with technical employees to obtain their personal requests and expectations with regard to their professional career, current working environment, etc. Based on the result of these interviews an action plan will be developed and implemented during the next few months.

Incentive strategy

The annual compensation of management staff is based on different components. On top of a competitive basic compensation, all members of the Executive Board, all Divisional Heads, most of the Managing Directors of subsidiaries, and many Heads of departments are entitled to a specific incentive system. Annual incentives are based on fulfillment of clear targets set for each business year. Targets are linked to profit of the Divisions or overall business entities, Order Intake, and personal goals. Such goals refer to market and product development, HR-related management tasks, etc.

Practically all employees in the different entities are included in local incentive plans. Based on income tax benefits, Austrian employees were offered Andritz shares instead of cash incentives. A significant number of employees availed themselves of this opportunity, thus showing a very high commitment towards Andritz.

Approximately 60 managers and executives of the Andritz Group (including the members of the Managing Board) take part in a stock option program, which was launched in 2004. As a prerequisite for the participation in the stock option program, the managers had to invest up to 40,000 Euros of their own money in Andritz shares. Exercise of the options is based on both the performance of the Andritz share price and the development of Earnings per share of the Andritz Group.