

STATUS REPORT

- Significant increase of Sales and Earnings
- Order Intake at record level

General economic conditions

In 2005, the global economy showed a solid, but regionally varied development. While the economies in the USA and Asia continued to develop very strongly, Euroland's economic activities were once again relatively modest.

The U.S. economy showed robust growth throughout the whole year. As a result of this positive economic development and due to the strong increase in crude oil prices, the Federal Reserve Board (FED) increased key interest rates in several steps to 4.25% during the reporting period. Damages resulting from the various hurricanes had no major impact on the U.S. economy.

In Euroland, economic development once again remained moderate in 2005. Stagnant domestic demand due to political and structural problems in some EU member states and high energy prices were the main burdening factors.

In Asia, economic growth remained very robust with China continuing its strong economic upturn. The economy in Japan also showed signs of sustained economic upturn.

Sources: OECD, WIFO, OeNB, RZB, Volksbank

Business development

Change in consolidated companies/acquisitions

The following companies were included for the first time in the Group's financial accounts for 2005: Lenser Filtration (manufacturer of filter elements for solid/liquid separation in filter presses), Universal Dynamics Group (automation services and software company), and Lynson AB (manufacturer of grinding machines for the steel industry).

In November 2005, Andritz announced to acquire a 60% stake in the Paper and Nonwoven Business Areas of Eduard Küsters Maschinenfabrik GmbH & Co. KG, Germany. Forty percent of the joint company will be held by Jagenberg, owner of Küsters since summer 2005. Andritz will assume the industrial leadership of the joint company, which is expected to be included in the Group's financial accounts during the First Quarter of 2006.

Sales at record level

Sales of the Andritz Group in 2005 reached another record high. As a result of the high Order Backlog as of the end of 2004 and the successful development of the companies acquired during the last few years, Group Sales increased by 17.8% to 1,744.3 MEUR (2004: 1,481.3 MEUR). In particular, the Rolling Mills and Strip Processing Lines and Environment and Process Business Areas increased their Sales significantly compared to 2004.

First-time consolidated companies contributed approximately 19.6 MEUR to the Group's total Sales in 2005. Organic Sales growth of the Group, therefore, was approximately 16.4%.

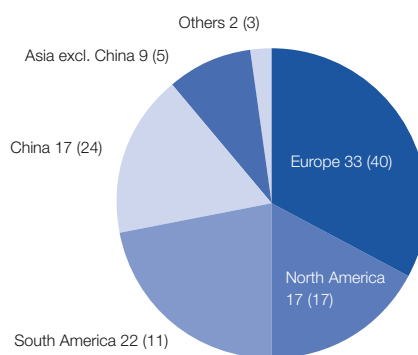
Record Order Intake and Order Backlog

Order Intake of the Andritz Group showed another strong development in 2005, reaching a new record high. At 1,974.6 MEUR, it surpassed the very high level achieved last year (1,837.0 MEUR) by 7.5%. In particular, the Rolling Mills and Strip Processing Lines and the Environment and Process Business Areas showed a very high growth of Order Intake. Order Intake of the Pulp and Paper Business Area was down compared to the very high level in 2004, which was influenced by the receipt of a very large order for supply of a new pulp mill to Chile.

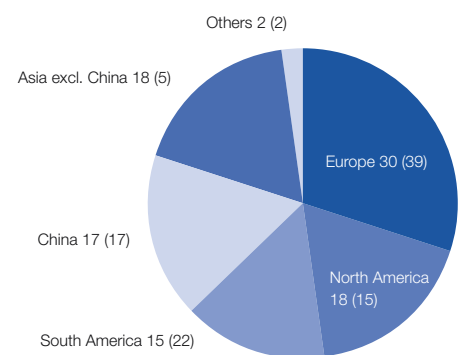
Order Intake of first-time consolidated companies amounted to approximately 20.0 MEUR in 2005.

The Group's Order Backlog also reached a new record amount. At 1,695.6 MEUR, it was significantly up compared to the end of 2004 (31.12.2004: 1,439.2 MEUR), providing a solid basis for the business development in the coming Quarters.

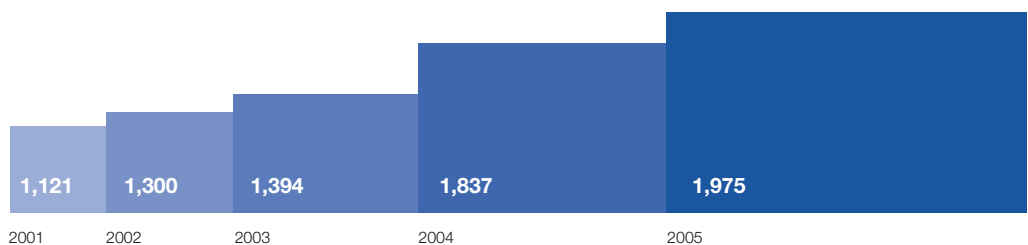
Sales by Region 2005 (2004) in %



Order Intake by Region 2005 (2004) in %



Order Intake of the Andritz Group (MEUR)



Significant increase in Earnings

As a result of Sales growth and continued cost optimizations, Earnings before Interest, Taxes, and Amortization of Goodwill (EBITA) increased to 107.0 MEUR during 2005 (2004: 92.8 MEUR). The EBITA margin, at 6.1%, was slightly lower than in 2004 (6.3%). Due to the application of IFRS 3, which prohibits the amortization of goodwill from 2005, Earnings before Interest and Taxes (EBIT) surged over proportionally to 106.7 MEUR (2004: 76.1 MEUR). The financial result, at 3.4 MEUR, also increased compared to 2004 (0.5 MEUR).

This was due to higher income from interest as a consequence of the higher average cash level in 2005. The tax rate in 2005, at 27.0%, was positively influenced by a one-off tax gain resulting from the resolution of the provision for severance payment in connection with the Austrian tax reform.

Net Income amounted to 80.2 MEUR (2004: 54.0 MEUR)

Key financial figures of the Andritz Group

MEUR	2005	2004	Change in %
Sales	1,744.3	1,481.3	+17.8%
EBITDA	130.9	115.4	+13.4%
EBIT	106.7	76.1	+40.2%
Earnings before Taxes	110.0	76.6	+43.6%
Net Income after Taxes	80.2	54.0	+48.5%

Net worth position and capital structure

The balance sheet total as of 31.12.2005 rose by 20.6% compared to the end of 2004, primarily as a result of increased order processing, leading to an increase in net working capital.

At 383.9 MEUR, net liquidity (cash and cash equivalents minus interest-bearing financial liabilities) as of 31.12.2005 increased significantly compared to the reference date of last year (31.12.2004: 219.6 MEUR). The equity ratio as of 31.12.2005 was 23.6% (31.12.2004: 24.0%).

Key financial ratios

	2005	2004
Equity ratio (in %)	23.6	24.0
Net liquidity (in MEUR)	383.9	219.6
Capital employed ¹⁾ (in MEUR)	21.1	131.9
Gearing ²⁾ (in %)	-116.8	-79.3

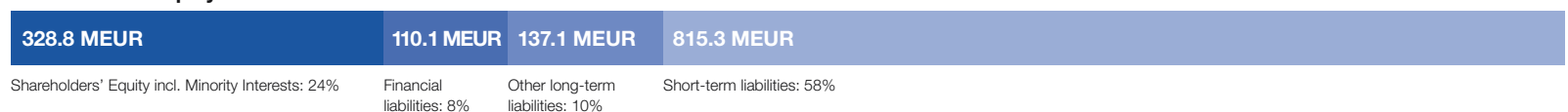
1) Capital employed: Net working capital plus fixed assets
 2) Gearing: (Interest-bearing liabilities minus cash and cash equivalents) divided by Shareholders' Equity including Minority Interests

Balance sheet total 2005: 1,391.3 MEUR

Assets



Shareholders' Equity and Liabilities



Risk management and treasury

As a global company serving a variety of different markets and customers, the Group is subject to certain general and industry-specific risks. These risks mainly relate to the industries the Group serves (e.g., uncertainty of future contracts, volatility of incoming orders, customer concentration, etc.), the Group's business (e.g. currency exposure, competitive position, legal proceedings, etc.), and to major orders (e.g., payment risks, liabilities and performance of projects, cost overruns, etc.). Andritz has a long-established Group-wide management steering committee whose main task is to identify nascent risks early and to take counter-measures. This is an important element in the active risk management within the Group.

The monitoring and management of financial risks are integral parts of Andritz's Group-wide accounting and controlling activities. Continuous controlling and regular reporting should secure to identify major risks at an early stage and to take counter-measures, if necessary.

For most of the orders, the risk of payment failure by customers is reduced by bank guarantees and export insurances. Risks for deliveries in countries with medium to high political risks typically are also insured. Interest and exchange rate risks are limited and controlled by using derivative financial instruments, in particular forward exchange contracts and swaps. Net currency exposure of orders in non-Euro currencies, mainly US dollars, British pounds, and Swedish crowns, is hedged by forward contracts. Cash flow risks are minimized by the Group's cash management system which controls cash in- and outflows of all relevant Andritz affiliates. It also monitors the Group's cash pooling activities in order to optimize net financing income.

Capex and Cash flow

Investments in tangible and intangible assets, which amounted to 26.7 MEUR in 2005 (2004: 29.4 MEUR), encompassed the implementation of a new pilot plant for complete systems for recycling wastepaper in Graz, the construction of new buildings for Andritz affiliates in Brazil and China, as well as modernizations of some machines and systems at some of the Group's production sites.

Cash flow from operating activities amounted to 237.3 MEUR, up compared to last year (2004: 208.0 MEUR). For further detailed information about the cash flow please see the consolidated cash flow statement of the consolidated financial statement 2005.

Effects from exchange rates

Changes in exchange rates are hedged by forward rate contracts.

Non-financial performance indicators

Manufacturing

Workload in most of the Andritz production sites was very high during 2005. Despite the high volume of orders, all projects were handled and processed within the specified times. Temporary workers and outsourcing were used to cope with peaks in workload. At several production sites, steps to increase competitiveness have been successfully introduced. This encompassed, among other things, improved production processes and material flows, and further automation of manufacturing processes.

Human Resources

Continuous training and further development of working skills of all Andritz employees once again were the main goals of Human Resources 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.

Environmental issues

Efforts on environmental protection and the economical use of natural resources once again played an important role in Andritz's business activities in 2005. Minimizing the use of media and the impact of production on the environment are the main goals. At all major sites of the Andritz Group, the focus of environmental efforts in 2005 was placed on further optimization of the waste management systems and measures to save even more energy. For example, at the Graz production site, the amount of industrial waste was reduced by another 10%, and electricity consumption was further optimized. Regular training for Andritz's personnel ensures that all employees are aware of the importance of protecting the environment in their daily work.

Research and Development

In 2005, the Andritz Group invested approximately 27.1 MEUR in Research and Development (2004: 21.1 MEUR). Approximately 200 people work in the Group's research centers in the USA, Austria, Finland, and France to develop new processes and equipment and to expand Andritz's technological leadership.

The Divisions of the **Pulp and Paper Business Area** have focused their R&D programs primarily on improving fiber quality, increasing energy efficiency, lowering the investment cost per ton, lowering maintenance costs, and promoting sustainability through reduced environmental impact.

The trend today is towards large, single-line mills to reduce both capital and operating costs. All Andritz Divisions are actively developing larger scale equipment and systems for pulp mills with capacities of 4,000 tons per day. Sophisticated simulation programs and specialized preventative process controls are used to support these efforts.

The main focus in wood processing is on field testing new developments in chip sampling and analysis, providing information about the chip quality to pulp mill operators. In chemical pulping, one focus is on adapting and improving processes for southern hemisphere applications. In addition, new developments of the Drum Displacer™ (DD) washer should further expand its competitive advantage.

For chemical recovery applications, further development of black liquor crystallizing technology is underway to reduce frequency of service procedures. Developments for recovery boilers are focused on producing even more power from biofuel (black liquor), which also eliminates the release of greenhouse gases into the atmosphere. A new arrangement of heat transfer surfaces in the upper furnace of the recovery boiler will enable more effective utilization of flue gas heat to produce more valuable steam in the boiler.

A new lime kiln burner has been developed and is now operating successfully. The burner produces lower nitric oxide levels than existing technology. A new concept for lime mud drying has been developed and a patent has been applied for. The new technology should enable customers to increase the capacity of existing kilns with lime mud dryers, or reduce the size of a new lime kiln for a given capacity.

For mechanical pulping processes, technologies have been developed to process alternative raw materials such as different species of pine and a variety of hardwoods (eucalyptus, acacia, birch, maple, kenaf). New pre-treatment and high-consistency refining technologies were developed to allow the use of alternative wood species in the RTS-TMP process. Customer requirements include sophisticated process control. The new Bleach Commander™ uses modeling and predictive control strategies to better control the bleaching process in mechanical pulp lines.

In pulp drying, R&D activities focused on single drying lines with capacities of 4,000 tons per day based upon successful Twin Wire Former technology. This design capacity has currently been reached on the Division's full-scale pilot machine. In addition, development is underway to continually improve the machinery's uptime through easy/fast sheet threading and process condition monitoring.

In the **Rolling Mills and Strip Processing Lines Business Area**, R&D activities focused on control standardization especially for the HCl (Hydrochloric acid) recovery plants showing superior oxide qualities, as well as on process improvements for alternative corrosion-resistant coatings for the automotive industry.

Fulfilling the demand of the automotive industry to improve laser weldability of corrosion protected steel sheet, the research work for coatings focused on zinc alloys using electro-galvanizing, and PVD (Physical Vapor Deposition) or CVD (Chemical Vapor Deposition) technologies.

One other important step to improve strip quality during cold rolling was the redesign of the flatness control system. The new flatness roll with closed surface and improved sensor application assures highest surface quality also for sensitive strip surfaces avoiding any imprints. Using predictive control technologies, Andritz contributes state-of-the-art technology to the market resulting in superior tolerances and quality.

The **Environment and Process Business Area** focused its R&D activities for dryers on the further development of belt drying systems. New sizes were developed and an entire new design based on a full concrete casing was successfully introduced to the market. In dewatering, research continued in order to broaden the applications for centrifuges and rotating filters. The new drive system for centrifuges successfully proved its long-term reliability. This technology will now be transferred to other centrifuge sizes.

Feed Technology's R&D activities were focused on the further development of the high-end capacity pellet mills of the Business Area's product family to support the requirements of industrial customers for large feed factories. Other activities were focused on the development of a new product family of long-term conditioners. The aim is to enhance product sterilization, following the increased needs of governmental regulations to guarantee sterile feed production. Within the biofuel area, development projects with the target to optimize production efficiency of wood pelleting plants are underway.

Outlook

Leading economic researchers expect the global economy to continue to grow in 2006. While the USA and Southeast Asia, especially China, should remain the key growth drivers of this global economic expansion, Euro-land's economy is expected to develop only moderately in 2006.

In pulp and paper, project activity will remain concentrated on South America and Asia, where several greenfield pulp mills and major modernization projects are currently being evaluated. For Europe and North America, only selective investments are expected.

In the area of Rolling Mills and Strip Processing Lines, investment activities will continue to focus on China. Project activity will concentrate on production equipment and plants for high-quality steel, and on downstream production equipment to produce stainless steel products. In China, demand for such products, which are, for example, used for applications in the automotive and household appliance industries, grows at double-digit rates each year. In addition, the goal of China to modernize and consolidate its domestic steel industry by 2010 will support long-term demand for steel production equipment. Increased project activity is also expected for India.

For Environment and Process, high project activity for both sludge dewatering and drying equipment should continue. Increased stringent environmental regulations, especially in Europe, will remain the key growth drivers in the future. In the area of mining, the current global shortage of raw materials, such as coal, iron ore, and other minerals should lead to increased investments in solid/liquid separation equipment.

Given the very high Order Backlog as of the end of 2005 and the solid expectations for the global economy and Andritz's relevant markets, Andritz expects Sales and Net Earnings in 2006 to increase compared to 2005. However, a potential or unexpected major economic downturn of the global economy might have a negative effect on the financial development of Andritz in 2006.

Disclaimer: Certain statements contained in this report constitute "forward-looking statements." These statements, which contain the words "believe", "intend", "expect", and words of similar meaning, reflect the Management's beliefs and expectations and are subject to risks and uncertainties that may cause actual results to differ materially. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to publicly announce the result of any revisions to the forward-looking statements made herein, except where it would be required to do so under applicable law.