

FINANCIAL YEAR 2007: CONTINUATION OF PROFITABLE GROWTH

2007 was another successful year for the Andritz Group. The strong market position of Andritz in all Business Areas combined with a satisfactory and favorable development of the global economy and the industries served by Andritz led to increases in all relevant financial figures.

FINANCIAL PERFORMANCE

Sales

Sales of the Andritz Group amounted to 3,282.5 MEUR, increasing 21.1% compared to 2006 (2,709.7 MEUR), thus reaching a new record level. In particular, Sales of the Pulp and Paper, Hydro Power, and Feed and Biofuel Business Areas increased significantly compared to last year. Organic Sales growth of the Group in 2007 was approximately 9.4%.

Order Intake and Order Backlog

The Order Intake of the Andritz Group increased to 3,749.5 MEUR in 2007, up 29.7% compared to the very high level of 2006 (2,891.0 MEUR). The Rolling Mills and Strip Processing Lines, Hydro Power, and Feed and Biofuel Business Areas achieved strong organic growth rates of the Order Intake. Organic growth of the Order Intake in 2007 was approximately 14.7%.

The Group's Order Backlog also showed a strong increase compared to the reference date of last year, surging to 3,843.3 MEUR as of 31.12.2007 (31.12.2006: 3,397.1 MEUR). Thus, the Andritz Group has a solid visibility with regard to Sales for the coming months.

Earnings

In step with Sales, Earnings before Interest and Taxes (EBIT) increased to 192.6 MEUR in 2007 (2006: 159.8 MEUR). All Business Areas, in particular the Hydro Power, Rolling Mills and Strip Processing Lines, as well as the Feed and Biofuel Business Areas, showed a solid and satisfactory development of Earnings, thus more than offsetting the dilutive effect of VA TECH HYDRO on the Group's profitability, expected at the time of the acquisition. As a result, the Group's EBIT margin, at 5.9% for 2007, was unchanged compared to last year (2006: 5.9%).

The financial result, at 5.5 MEUR in 2007, was lower compared to 2006 (6.1 MEUR). The tax rate in 2007 amounted to 31.3% (2006: 26.9%).

Net Income after deduction of Minority Interests amounted to 132.7 MEUR (2006: 118.5 MEUR).

KEY FINANCIAL FIGURES

MEUR	2007	2006	Change in %
Sales	3,282.5	2,709.7	+21.1
EBITDA ¹⁾	242.3	194.2	+24.8
EBIT	192.6	159.8	+20.5
Earnings before taxes	198.0	165.9	+19.3
Net income	136.1	121.4	+12.1

1) EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

Order Intake of the Andritz Group (MEUR) 2003–2007



Net worth position and capital structure

The balance sheet of the Andritz Group as of 31.12.2007 continued to show a solid capital structure. Total assets as of 31.12.2007 amounted to 2,507.5 MEUR, thus 121.4 MEUR higher than as of 31.12.2006 (2,386.1 MEUR).

The Group's net liquidity as of 31.12.2007 amounted to 246.5 MEUR, thus significantly lower compared to the exceptionally high level of last year (31.12.2006: 365.7 MEUR). The equity ratio as of 31.12.2007 was 19.2% (31.12.2006: 17.4%).

KEY BALANCE SHEET RATIOS

	2007	2006
Equity ratio (in %)	19.2	17.4
Net liquidity ²⁾ (in MEUR)	246.5	365.7
Net debt ³⁾ (in MEUR)	-94.8	-216.9
Net working capital ⁴⁾ (in MEUR)	99.1	-93.6
Capital employed ⁵⁾ (in MEUR)	405.6	194.5
Gearing ⁶⁾ (in %)	-19.7	-52.3

2) Cash and cash equivalents minus financial liabilities

3) Interest-bearing liabilities including provisions for severance payments, provisions for pensions, and jubilee provisions minus cash and cash equivalents

4) Non-current and current receivables and other assets minus non-current and current liabilities excl. provisions

5) Net working capital plus fixed assets

6) Net debt/Shareholders' Equity

Capex and cash flow

The Andritz Group's investments in tangible and intangible assets amounted to 57.0 MEUR in 2007, thus increasing by 24.7% compared to last year (2006: 45.7 MEUR). Capital expenditure mainly focused on building and workshop modernizations at some of the Group's existing sites as well as on capacity additions, especially in China. Cash flow from operating activities amounted to 33.1 MEUR (2006: 143.1 MEUR).

KEY CASH FLOW RATIOS

MEUR	2007	2006
Cash flow from operating activities	33.1	143.1
Capital expenditure ⁷⁾	57.0	45.7
Free cash flow ⁸⁾	-19.6	100.1
Free cash flow per share ⁹⁾	-0.4	1.9

7) Additions to property, plant, and equipment and intangible assets

8) Cash flow from operating activities minus capital expenditure plus payments from the sale of tangible and intangible assets

9) Free cash flow/total number of Andritz shares

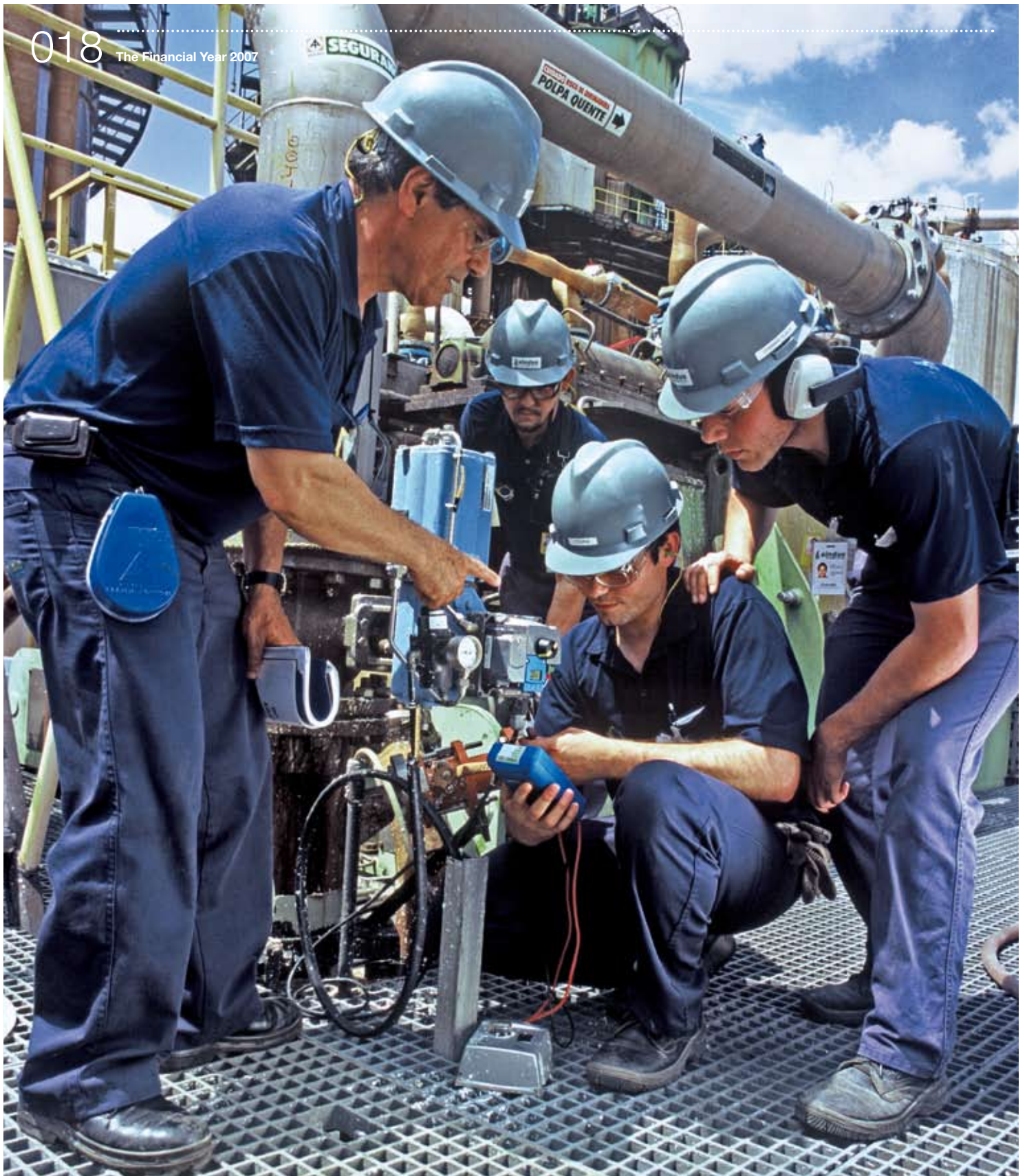
IMPORTANT ACQUISITIONS AND COOPERATIONS

Sindus Human Technology

In June 2007, Andritz acquired a 50% stake in Brazilian Sindus Human Technology, the leading provider of outsourced automation, instrumentation, and electricity maintenance services for the pulp and paper industry in Brazil. With 12 branches in eight states, Sindus Andritz is close to the largest pulp and paper mills in Brazil. Andritz will add its proven process know-how to Sindus' experience. Sindus Andritz will start to offer its services to mills in other South American countries as well.

Cooperation project with UPM

Global forestry company UPM, the Andritz Group, and Andritz's associated company Carbona started a joint development project for biomass gasification and synthetic gas purification. Gasification technology is required for the production of synthetic gas that will feed a Fischer-Tropsch based second-generation biodiesel production facility. The joint testing project will be conducted at the Gas Technology Institute's pilot lab in Chicago in the United States. Pilot testing is expected to be completed by the end of 2008. →



Through the acquisition of a 50% stake in Brazilian Sindus Human Technology, Andritz has strengthened its position in the Pulp and Paper Business Area.

Photo: A new Sindus Andritz field technician is receiving hands-on training on the maintenance of valve positioners at a mill in southern Brazil.

MAJOR ORDERS FROM RENOWNED CUSTOMERS WORLDWIDE

Pulp and Paper

The Business Area received an order from Votorantim Celulose e Papel (VCP), Brazil to deliver a complete fiberline, pulp drying/baling plant, and white liquor plant for the world's largest pulp mill. Design capacity of this greenfield bleached eucalyptus market pulp mill is 1,250,000 t/a. The mill is located at Três Lagoas in Brazil's Mato Grosso do Sul state. Andritz will provide the technology, equipment, basic and detailed engineering, electromechanical erection, erection supervision, start-up, and training.

Andritz received major orders for chemical, recovery, and pulp drying systems from renowned pulp producers in Spain and Portugal. For Celulosas de Asturias S.A. (CEASA), a pulp mill located in Navia, Asturias, Spain, Andritz will supply major recovery and market pulp drying systems for a mill upgrade program which will increase the production capacity and improve the performance of most departments of the mill. Celulose Beira Industrial (Celbi), S.A. ordered major market pulp drying systems and a lime kiln plant for the modernization and capacity increase of its Figueira da Foz pulp mill, Portugal.

Australian Visy Industries, the world's largest privately owned packaging and recycling company, selected Andritz to supply technology and systems for the expansion of its Tumut mill in New South Wales, Australia. The order encompasses the upgrade of the existing fiberline and recausticizing plant, and the installation of a new recovery boiler, pre-evaporator, lime kiln, equipment for the recycled fiber plant, stock preparation, and approach flow systems.

Hydro Power

In August, the supply and engineering contracts and the credit agreements for the construction of the Ilisu hydropower station in southeast Anatolia, Turkey, were signed in Ankara. The total project volume amounts to approximately 1.2 billion EUR, of which 530 MEUR fall to a European supply and engineering consortium, consisting of Andritz, Alstom, Züblin, Stucky, Colenco, and Maggia. The Ilisu hydropower station will supply two million households with electricity from environmentally friendly hydropower starting in 2014/2015. Compared to a thermal power station, this will help avoid about three million tons of carbon dioxide per year, or replace one or two nuclear power stations. The Turkish project operator, the Turkish government, and the export credit agencies involved have agreed upon a series of comprehensive accompanying measures and requirements for environmental protection, social cushioning, preservation of the cultural heritage, and interests of neighboring countries.

Rolling Mills and Strip Processing Lines

North America's largest integrated stainless steel producer, North American Stainless, placed an order for one of the world's largest annealing and pickling lines for hot-rolled stainless steel. NLMK, Lipezk, Russia ordered two special cold rolling mills for electrical steel and a hot-dip galvanizing line in combination with a color coating line.

Another hot-dip galvanizing line will be delivered to voestalpine Stahl GmbH in Linz, Austria, as part of voestalpine's Linz 2010 project. The product quality and output of 400,000 t/a are geared to producing top-quality surface finish, as well as new heavy-duty steel grades for the automotive industry, the household goods sector, and for steel profiles/building components. ThyssenKrupp Stainless ordered an annealing and pickling line for cold-rolled stainless steel strip for their new plant in the USA.

Environment and Process

Schwenk Cement, Germany placed an order for a belt dryer plant with a water evaporation capacity of 10 t/h for Bernburg, Germany. Ticona Germany, a company of the Celanese Group, ordered two fluidized bed drying plants designed to dry polyoxymethylene. The Separation Technologies Division received several major orders for centrifuges and filter presses from municipalities as well as from different industries, thus continuing its successful development shown during the last few years. ○