

# LETTER FROM THE EXECUTIVE BOARD

Ladies and Gentlemen,  
Dear Shareholders, Dear Employees,

2007 was another very successful year for the Andritz Group. We were able to increase all relevant financial figures, such as Order Intake, Order Backlog, Sales, and Net Income, in comparison with the previous year. Despite unchanged strong competition, all our Business Areas maintained – and in many segments expanded – their market positions. In particular, the Hydro Power, the Rolling Mills and Strip Processing Lines, and the Feed and Biofuel Business Areas won a number of significant orders, thereby further strengthening their competitive positions globally.

Our success is due to the continuous launch of new, innovative products and services, which form the basis for sustainable organic growth (approximately 12% p.a. over the past ten years), and to the acquisition of companies with complementary technologies/products, which was successfully continued in 2007.

In June 2007, we 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. We intend to use Sindus' good market position and expand their business activities, by means of Andritz's global distribution network, into other South American countries and later into other continents.

We purchased the Coater Division for paper production from Bachofen + Meier AG, Switzerland, a globally renowned specialist for paper coating technologies and systems. Having thus complemented our existing product portfolio for paper

and board production, we are now able to offer complete systems in this area as well. Through the acquisition of VA TECH HYDRO in 2006, the Andritz Group has substantially strengthened its market position in the strongly growing segment of renewable energies/hydropower. Integration of VA TECH HYDRO has been progressing as planned and is expected to be completed in 2008.

## Focus on renewable energies

Our employees – currently more than 12,000 – form the backbone of our company's success. In all of our Business Areas, they develop and manufacture products with a global technological lead that help our customers achieve their goals in terms of productivity, quality, and – through the reduction of resources required – also sustainability. Our comprehensive product portfolio in the field of renewable energies that we offer our customers worldwide encompasses the HERB recovery boilers and gasification systems in the Pulp and Paper Business Area, which produce 'green power' from biomass; the sewage sludge drying systems and centrifuges for bio-ethanol in the Environment and Process Business Area; and the pelleting systems for wood and other biomass in the Feed and Biofuel Business Area.

A total of 35–40% of Group Sales is derived from technologies and systems that generate energy from renewable resources. We have made it our goal to launch further innovative products in the coming years that will help our customers achieve further enhancements in terms of profitability and sustainability. Some of our sustainable 'Global Top Products', which meet the same high en-

vironmental standards worldwide, are presented in this Annual Report.

## Outlook and goals for 2008

One of our main goals for 2008 is to process our very high order backlog according to plan. Only if we process all orders according to agreed schedules and in accordance with our customers' requirements will we be able to maintain our position in the highly competitive markets and achieve our goals in terms of growth and profitability.

We expect Group Sales to increase organically to approximately 3.5 billion Euros in 2008, and we maintain our goal of reaching an EBITA margin of 7%. We will continue our strategy of acquiring complementary companies. There are several interesting opportunities for acquisitions in all of our Business Areas. Sufficient growth and high Earnings with sustained good margins are the preconditions for a secure future for our company and employees.

We would like to thank all employees of the Andritz Group for their outstanding performance in 2007, and our customers, business partners, and shareholders for the confidence placed in us. We will continue to do our utmost in 2008 to promote the success of the Group in the best possible way.

The Executive Board  
Graz, February 2008



**The Executive Board of Andritz AG (from left to right):  
Karl Hornhofer, Franz Hofmann, Friedrich Papst, Wolfgang Leitner (President and CEO), Humbert Köfler**