

First Half of 2004

**ANDRITZ**

## GENERAL ECONOMIC CONDITIONS

The First Half of 2004 was characterized by a continued global economic recovery, with the US showing a much faster and more sustained growth than Euroland.

In the US, the economy grew at a 3.9% annual rate in the First Quarter of 2004, slightly faster than anticipated by economic researchers, but slightly weaker than in the previous Quarter (Q4 2003: +4.1% annualized growth). Although growth came primarily from private consumers who usually contribute almost two-thirds of economic spending, the economic upturn was also based on increased capital expenditures by corporations. The Federal Reserve Board (the FED) stated in its recent report that economic activity continued to improve across the nation in April and May. Due to this solid economic development, the FED increased key interest rates by 25 basis points to 1.25% at the end of June in order to dampen any inflationary pressure. Economic research institutes predict an increase in the Gross Domestic Product (GDP) of 4.7% for the full year 2004.

In Euroland, economic activities also improved during the reporting period, although much more modestly than the US. GDP grew at an annualized rate of 1.6% in the First Quarter of 2004. The rise of the Euro against the US dollar and the strong increase in oil prices burdened a sustained economic recovery. For the full year 2004, economic research institutes forecast an increase of 1.7% for Euroland's GDP.

Sources: OECD, WIFO, OeNB, RZB, BA-CA

## BUSINESS DEVELOPMENT DURING THE FIRST HALF OF 2004

### Favorable development of Sales

In the First Half of 2004, Sales of the Andritz Group amounted to 685.8 MEUR, increasing 18.9% compared to the reference period for last year (H1 2003: 577.0 MEUR). This increase was mainly due to higher work-in-progress for many projects. In particular, the Pulp and Paper, Rolling Mills and Strip Processing Lines, and Environment and Process Business Areas increased Sales significantly compared to the First Half of 2003.

Fiedler and Bird Machine, which were not included in last year's consolidated financial statements, added approx. 46 MEUR to Group Sales in the First Half of 2004.

In the Second Quarter of 2004, Sales of the Andritz Group were 354.0 MEUR, up 8.4% compared to the reference

## IN BRIEF

- Continued improvement of global economy
- Order Intake, Sales and Net Income above previous year's reference period
- Solid Order Backlog of more than 1.1 billion Euros
- High net liquidity

Quarter of 2003 (326.7 MEUR) and up 6.7 % compared to the First Quarter of 2004 (331.8 MEUR). With the exception of Environment and Process, whose Sales increased significantly due to the first-time consolidation of Bird Machine, all other Business Areas of the Group showed no major changes in Sales in the Second Quarter of 2004 compared to last year's reference period.

### Group Order Intake in Second Quarter close to historic high

At 406.0 MEUR, Order Intake in the Second Quarter of 2004 reached the second highest level the Group has ever achieved during a Quarter. It increased 28.4% compared to the reference Quarter of 2003 (316.1 MEUR) and surpassed the previous Quarter (369.6 MEUR) by 9.8%. In particular, the Pulp and Paper, Rolling Mills and Strip Processing Lines, and the Environment and Process Business Areas showed a very favorable development during the Second Quarter of 2004.

In the First Half of 2004, Group Order Intake reached 775.6 MEUR, a 16.3% increase over the reference period last year (667.1 MEUR). Due to the strong performance in almost all of its Divisions, the Pulp and Paper Business Area increased Order Intake by 27.9% compared to the First Half of 2003. Order Intake of the Environment and Process Business Area more than doubled, mainly as a consequence of the first-time consolidation of Bird Machine.

Order Intake of Bird Machine and Fiedler amounted to approx. 64 MEUR in the First Half of 2004.

Order Backlog as of 30.6.2004 was 1,159.8 MEUR, significantly up compared to the reference date in 2003 (30.6.2003: 992.3 MEUR). Compared to the end of 2003 (31.12.2003: 1,053.6 MEUR), Order Backlog of the Andritz Group increased by 10.1%, giving a solid visibility for the Sales and Earnings development in the coming months.

### Continued improvement in Earnings

As a result of cost optimization programs, the successful integration of the newly acquired companies, and the processing of some higher-margin orders, Earnings and profitability in the Second Quarter of 2004 continued the favorable development shown during the previous Quarter. At 24.2 MEUR, Earnings before Interest, Taxes, and Amortization of Goodwill (EBITA) increased 41.5% compared to the previous Quarter (Q1 2004: 17.1 MEUR). EBITA margin improved from 5.2% in the First Quarter of 2004 to 6.8% in the Second Quarter of 2004.

Compared to the reference Quarter of last year, EBITA surged 83.3% (Q2 2003: 13.2 MEUR).

EBITA for the First Half of 2004 was 41.3 MEUR, an increase of 70.0% compared to the First Half of 2003 (24.3 MEUR). EBITA margin improved to 6.0% (H1 2003: 4.2%).

### Increase in EBIT and Net Income

Earnings Before Interest and Taxes (EBIT) increased to 33.0 MEUR (H1 2003: 17.4 MEUR). Net Income excl. Minority Interests amounted to 25.5 MEUR (H1 2003: 9.8 MEUR).

### Net worth position and capital structure

The net worth position and capital structure of the Andritz Group as of 30.6.2004 showed no major changes compared to 31.12.2003.

As of 30.6.2004, the Group's net liquidity (cash and cash equivalents minus interest bearing financial liabilities) was 112.5 MEUR, 12.7% higher than at the end of the previous Quarter (31.3.2004: 99.8 MEUR), and significantly up compared to the end of last year (31.12.2003: 55.0 MEUR). The equity ratio as of 30.6.2004 was 23.0% (31.12.2003: 24.0%).

### Effects from changes in exchange rates

In the First Half of 2004, the strength of the Euro against the US dollar reduced Sales by approx. 12 MEUR, Order Intake by approx. 12 MEUR and EBITA by approx. 0.6 MEUR due to translation.

### Acquisitions / joint ventures

Andritz acquired the Filtration Business Unit of international NETZSCH Group, based in Germany. The NETZSCH Filtration Business Unit supplies dewatering systems, in particular filter presses for solid/liquid separation in industrial and municipal applications. With approx. 270 employees, it achieves annual Sales of 35 MEUR. With this acquisition, the Andritz Group enhances its system know-how in the Environment and Process Business Area.

## KEY FIGURES FOR THE FIRST HALF OF 2004 (IAS)

MEUR	H1 2003	H1 2004	Change	Q2 2003	Q2 2004	Change
<b>Sales</b>	577.0	<b>685.8</b>	+18.9%	326.7	<b>354.0</b>	+8.4%
<b>Order Intake</b>	667.1	<b>775.6</b>	+16.3%	316.1	<b>406.0</b>	+28.4%
<b>Order Backlog</b> (as of end of period)	992.3	<b>1,159.8</b>	+16.9%	992.3	<b>1,159.8</b>	+16.9%
<b>EBITDA<sup>1)</sup></b>	34.9	<b>52.0</b>	+49.0%	18.5	<b>29.5</b>	+59.5%
<b>EBITDA Margin</b>	6.0%	<b>7.6%</b>	-	5.7%	<b>8.3%</b>	-
<b>EBITA<sup>2)</sup></b>	24.3	<b>41.3</b>	+70.0%	13.2	<b>24.2</b>	+83.3%
<b>EBITA Margin</b>	4.2%	<b>6.0%</b>	-	4.0%	<b>6.8%</b>	-
<b>Earnings before Interest and Taxes (EBIT)</b>	17.4	<b>33.0</b>	+89.7%	9.8	<b>19.4</b>	+98.0%
<b>Earnings before Taxes</b>	18.1	<b>32.7</b>	+80.7%	10.1	<b>19.2</b>	+90.1%
<b>Net Income excl. Minority Interests</b>	9.8	<b>25.5</b>	+160.2%	5.7	<b>17.5</b>	+207.0%
<b>Cash flow from Operating Activities</b>	41.1	<b>90.5</b>	+120.2%	20.7	<b>38.9</b>	+87.9%
<b>Capital Expenditure<sup>3)</sup></b>	5.7	<b>5.7</b>	+/-0.0%	3.3	<b>3.2</b>	-3.0%
<b>Employees</b> (as of end of period)	4,518	<b>4,885</b>	+8.1%	4,518	<b>4,885</b>	+8.1%

1) EBITDA: Earnings before Interest, Tax, Depreciation, and Amortization of Goodwill

2) EBITA: Earnings before Interest, Tax, and Amortization of Goodwill

3) Additions to tangible and intangible assets

In June 2004, Andritz and Rheinhold & Mahla AG, one of the leading providers of industrial services in Europe, signed an agreement to form a joint venture to provide a broad range of industrial maintenance services and long-term maintenance concepts for pulp, paper, and MDF (Medium Density Fiberboard) mills in Europe. The new company is called European Mill Service GmbH (EMS).

EMS will offer long-term maintenance and service contracts based upon key performance indicators that are considered most important to each customer facility. Depending on the scope of the service contract, significant economic savings and/or performance improvements can be obtained for the customer. EMS will assume responsibility for maintenance management for a production area within a mill or a complete mill.

## OUTLOOK

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According to the forecasts of leading economic researchers, the global economy is expected to continue its growth during the coming months. In particular, economic indicators in the US point to a sustained and strong economic growth in the upcoming quarters. Euroland should also revive, but much more moderately than the US.

For most of the relevant Andritz markets – pulp, paper, and steel – a continuation of capital projects can be expected for the coming quarters. In pulp and paper, several greenfield and major modernization projects - mainly in South America and Asia - are currently being evaluated. However, for Europe and North America moderate market conditions are expected to continue.

In the area of Rolling Mills and Strip Processing Lines, investment activities will remain concentrated on China, where project activity should stay at a high level. Investment activities are focused on plants for the production of high quality steel and systems and processes used in downstream production. In both areas, Andritz provides a full range of products and processes.

In Environment and Process, quick integration of newly acquired Bird Machine and NETZSCH will be one of the key goals for the coming months.

For the full year 2004, Andritz expects a favorable business development, with Group Sales to grow by approx. 15% compared to 2003 and Net Income after minorities to increase over proportionally by at least 35%.

### **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 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.*

## PULP AND PAPER

### KEY FIGURES (IAS)

MEUR	H1 2003	H1 2004	Change	Q2 2003	Q2 2004	Change
Sales	377.6	<b>424.7</b>	+12.5%	218.0	<b>214.9</b>	-1.4%
Order Intake	372.7	<b>476.8</b>	+27.9%	194.3	<b>233.5</b>	+20.2%
Order Backlog as of end of period	574.3	<b>663.9</b>	+15.6%	574.3	<b>663.9</b>	+15.6%
EBITDA	27.3	<b>34.1</b>	+24.9%	14.9	<b>18.7</b>	+25.5%
EBITDA Margin	7.2%	<b>8.0%</b>	-	6.8%	<b>8.7%</b>	-
EBITA	20.8	<b>27.8</b>	+33.7%	11.7	<b>15.6</b>	+33.3%
EBITA Margin	5.5%	<b>6.5%</b>	-	5.4%	<b>7.3%</b>	-
Employees as of end of period	2,718	<b>2,752</b>	+1.3%	2,718	<b>2,752</b>	+1.3%

### MARKET DEVELOPMENT

The global pulp market showed a positive development during the Second Quarter of 2004, continuing the positive trend shown during the previous Quarters. Due to continued strong demand and unchanged supply, the price of Northern Bleached Softwood Kraft Pulp, NBSK, rose from approx. 600 US dollars per ton as at the end of March to approx. 650 US dollars per ton as at the end of June 2004. Average capacity utilization of the international pulp producers was well above 90%. American and European pulp producers indicated further price hikes for the coming months. Project activity remained at a satisfactory level with the bulk of projects focused on the Southern Hemisphere.

In step with the price increases of NBSK, the prices for short-fiber pulp (birch and eucalyptus) also improved during the reporting period, although much more moderately.

### BUSINESS DEVELOPMENT

Sales of the Business Area for the First Half of 2004 amounted to 424.7 MEUR, increasing 12.5% compared to the reference period of last year (H1 2003: 377.6 MEUR). This development was mainly due to the fact that several large orders entered the manufacturing phase. Fiedler, which was acquired in September of 2003, added approx. 17 MEUR to the Business Area's Sales in the First Half of 2004.

Sales in the Second Quarter of 2004 were 214.9 MEUR, slightly below the reference Quarter of last year (Q2 2003: 218.0 MEUR).

The Business Area's Earnings before Interest, Taxes, and Amortization of Goodwill (EBITA) developed very favorably. As a result of increased Sales and continued cost optimization measures, EBITA increased by 33.7% to 27.8 MEUR (H1 2003: 20.8 MEUR) in the First Half of 2004. Profitability expressed as EBITA margin increased considerably, from 5.5% in the First Half of 2003 to 6.5% in the First Half of 2004.

The Business Area's Order Intake for the First Half of 2004 was 476.8 MEUR, an increase of 27.9% compared to the First Half of 2003 (372.7 MEUR). In particular, Order Intake in the Second Quarter developed very favorably. At 233.5 MEUR, it surged 20.2% compared to the reference Quarter of last year (Q2 2003: 194.3 MEUR). Almost each Division of the Business Area was able to increase its Order Intake significantly.

In early April, the world's largest single-line chemical recovery plant, supplied by Andritz for Wisapower at UPM-Kymmene's Pietarsaari mill (Finland) started very successfully at the scheduled time. Guaranteed production was achieved after only five days; in addition, a new record in pulp production was reached within a week of operation. The delivery included a new recovery boiler, evaporation plant, and white liquor plant.

Andritz has strengthened its service presence in South America with the expansion of its service center in Chile and the placement of a world-renowned screening expert in Brazil.

The development and successful start-up of refiner plates for high consistency conical refiners has expanded Andritz's accessible market for refiner plates by about 10%. Actions are underway to also enter the market for low consistency refiner plates, which should expand the accessible market by an additional 15%.

Three projects were completed in the Fiber Preparation Systems Division. The stock preparation system for Jian Hui Paper Co. (China) was started up successfully; final acceptance was achieved for a 400 t/d deinking line at Vipap Videm Krsko (Slovenia), and the customer has taken a 200 t/d deinking line into daily operation at FS-Karton (Germany).

An Andritz-supplied EquiDry F high-temperature hood for Papierfabrik Gebr. Grünwald (Germany) has been credited for helping the mill achieve a production increase of more than 25%. The machine is now one of the highest capacity machine-glazed paper machines in Europe.

## MAJOR ORDERS

- The Wood Processing Division received a significant debarking and chipping order from a customer in the Americas. Several wood rooms were ordered for TMP and MDF plants in China.
- The Fiberline Division received an order to deliver the systems and engineering services for a new washing, screening, and bleaching line for Lwarcel Pulp (Brazil). The Division was also selected to supply a customer (USA) with new brownstock screening, washing, and oxygen delignification systems using the proven Drum Displacer® (DD) washers.
- In the chemical recovery area, the Recovery Division received an order for an evaporator upgrade from Frantschach Pulp & Paper's Steti mill in the Czech Republic. In addition to the evaporator modernization, Andritz will provide the electrification, instrumentation, and automation systems.
- The Chemical Systems Division was awarded a major order by an American customer to deliver a complete White Liquor Plant, including recausticizing and lime reburning.
- The Pulp Mill Services Division signed an agreement with Metsä Botnia's Joutseno (Finland) mill for maintenance services. Based upon positive experience with Andritz providing OPE® (Overall Production Efficiency) services in one process area, Botnia expanded Andritz's role to include the entire Fiberline and White Liquor Plant. The Division also booked an order for a Vertical Air™ System for Kimberly-Clark de Mexico SA (CRISOBA Division).
- The Mechanical Pulping Systems Division received a contract to supply all the major production systems for a new hardwood mechanical market pulp mill to be built in Kunda, Estonia. Andritz will deliver the complete mechanical pulp mill – from woodyard, chip handling, impregnation, refining, bleaching, dewatering, drying to the finished pulp bales. The mill will use the advanced and proven Andritz P-RC™ APMP technology. Andritz's leading position in MDF refining systems was confirmed by four additional orders from China and two from Russia.
- The Fiber Preparation Systems Division received orders for deinking systems from Holmen Paper Papelera Peninsular (Spain) and Dong Ying Huatai Paper (China). The Holmen Paper order also includes a new FibreFlow® Drum pulping system. The Division also booked orders for stock preparation and machine approach systems from Al Sindian Paper Mill (Egypt),

Shandong Hengan Paper (China), Procter & Gamble (Germany), and Thüringer Hygiene Papier (Germany). All these systems will be installed in tissue production plants. In addition, the Fiber Preparation Systems Division received an order for equipment for an OCC line for De Eendracht Karton (Netherlands).

- The Tissue Machines Division received an order from Thüringer Hygiene Papier (Germany) for a new Prime-Line™ CrescentFormer tissue machine. The machine will be installed at a greenfield site and will produce 30,000 tons per year of high-quality toilet and towel paper. Andritz is providing the delivery on a turnkey basis, including automation equipment and the stock preparation system.

- The Paper Mill Services Division received significant orders for engineered wear products by Durametel (refiner plates) and Andritz-Fiedler (screen baskets). The business of rebuilding Jylhävaara refiners is growing rapidly with six recent orders. The Division has been awarded five orders for modernization of Twin Wire Presses, Bauer counter-rotating refiners, and Twin Refiners due to its ability to improve the equipment performance beyond the original OEM specifications.

## ROLLING MILLS AND STRIP PROCESSING LINES

### KEY FIGURES (IAS)

MEUR	H1 2003	H1 2004	Change	Q2 2003	Q2 2004	Change
Sales	92.4	111.9	+21.1%	53.2	58.2	+9.4%
Order Intake	170.7	128.3	-24.8%	60.1	93.2	+55.1%
Order Backlog as of end of period	242.6	281.6	+16.1%	242.6	281.6	+16.1%
EBITDA	1.0	6.9	+590.0%	0.4	3.5	+775.0%
EBITDA Margin	1.1%	6.2%	-	0.8%	6.0%	-
EBITA	0.0	5.9	n.sp.	-0.1	3.0	n.sp.
EBITA Margin	0.0%	5.3%	-	neg.	5.2%	-
Employees as of end of period	533	571	+7.1%	533	571	+7.1%

### MARKET DEVELOPMENT

Demand for steel and stainless steel products continued to grow during the First Half of 2004 due to strong consumption in China. Prices for cold-rolled steel and stainless products increased strongly in almost all major markets during the reporting period. Capacity utilization

rates are still on the rise, although global production capacity continues to increase quite strongly in 2004. Project activity concentrated mainly on China, where several big projects are in the evaluation phase. Project awards are expected for the upcoming months. No large projects were awarded in North America, and only selective investments were made in Europe.

In the Second Quarter of 2004, the efforts of the Chinese government to slow down over-investment in some economic sectors like cement and steel led to a delay in projects for private new companies. Projects for the established enterprises so far appear to remain relatively unaffected.

## BUSINESS DEVELOPMENT

In the First Half of 2004, Sales of the Business Area were 111.9 MEUR, an increase of 21.1% compared to the First Half of 2003 (92.4 MEUR). This is mainly due to higher work-in-progress for many projects as a result of the increased Order Backlog. Sales in the Second Quarter of 2004 amounted to 58.2 MEUR, which is 9.4% higher than the reference Quarter of last year (Q2 2003: 53.2 MEUR).

EBITA also developed very favorably. At 5.9 MEUR in the First Half of 2004, it was significantly up compared to last year's reference period (H1 2003: 0.0 MEUR), which was negatively influenced by a temporary capacity under-utilization in one of the Business Area's product segments. EBITA in the Second Quarter of 2004 was 3.0 MEUR (Q2 2003: -0.1 MEUR).

An electro-galvanizing line with anti-fingerprint coating, with an annual capacity of 130,000 tons, was delivered to Jiangyin Chang-Fa Antifingerprint Co. Ltd., China. The final product is used for household appliances and applications in the electronics industry. The first galvanizing was performed only 16 months after contract signing.

A mixed acid recovery plant using the Andritz Pyromars system was started up successfully by Ningbo Baoxin Stainless Steel Company Ltd., China. It serves stainless steel annealing and pickling lines with an annual capacity of 700,000 tons of hot-rolled steel strip and 250,000 tons of cold-rolled steel by recovering mixed acid.

Order Intake in the First Half of 2004 was 128.3 MEUR (H1 2003: 170.7 MEUR). This decline compared to last year's reference period was mainly due to the receipt of a very large order in the First Quarter of 2003. However, Order Intake in the Second Quarter of 2004 was 93.2 MEUR, up 55.1% compared to the reference Quarter of

last year (60.1 MEUR) and more than double the value of the previous Quarter (Q1 2004: 35.1 MEUR).

## MAJOR ORDERS

■ Chinese Taigang Group placed an order with Andritz to supply the world's largest annealing and pickling line for cold-rolled stainless steel strip. The plant will have an annual capacity of 500,000 tonnes and will be installed at Taiyuan Iron and Steel Co. Ltd., Taiyuan Shanxi, China. With this order, Andritz further strengthens its position as a leading technology supplier for complete stainless steel processing lines. Last year, Andritz received an order from Taigang for a hot-rolled stainless strip pickling line.

■ SeAH Steel Group, Seoul/South Korea ordered a 6-high cold-rolling mill which will be delivered in spring 2005. This mill can roll low-carbon steel of up to 1,360 mm width at a maximum speed of 1,400 m/min. The line is equipped with a POS (process optimization system).

■ The Business Area will supply two sophisticated inspection lines for steel strip for automotive applications to Wuhan Iron & Steel (Group) Corporation, Changqian, Qingshang, Wuhan, China. In addition, Andritz received an order from this customer for a very special hydrochloric acid regeneration plant in twin reactor design, with a total capacity of 15,000 l/h.

■ Hunan Valin Iron & Steel Group of the Hunan province in China ordered an hydrochloric acid regeneration plant with waste acid purification and silicon pre-sedimentation with a capacity of 10,000 l/h.

## ENVIRONMENT AND PROCESS

### KEY FIGURES (IAS)

MEUR	H1 2003	H1 2004	Change	Q2 2003	Q2 2004	Change
Sales	43.2	84.6	+95.8%	21.4	45.0	+110.3%
Order Intake	47.2	94.1	+99.4%	20.7	37.0	+78.7%
Order Backlog as of end of period	119.1	150.9	+26.7%	119.1	150.9	+26.7%
EBITDA	-0.6	4.6	n.sp.	-0.7	3.7	n.sp.
EBITDA Margin	neg.	5.4%	-	neg.	8.2%	-
EBITA	-1.6	3.5	n.sp.	-1.2	3.1	n.sp.
EBITA Margin	neg.	4.1%	-	neg.	6.9%	-
Employees as of end of period	437	704	+61.1%	437	704	+61.1%

## MARKET DEVELOPMENT

Activity in the sewage sludge dewatering market remained at a satisfactory level in the Second Quarter, with no major changes anticipated in the near future. The market for thermal sludge treatment systems continued its moderate development shown in the previous Quarters.

In the field of industrial applications, project activity continued to be brisk outside of North America. Due to the global raw material shortage, this sector is expected to offer a considerable potential in the next few years.

## BUSINESS DEVELOPMENT

The Business Area's Sales in the First Half of 2004 surged to 84.6 MEUR, almost double the amount of last year's reference period (H1 2003: 43.2 MEUR). The first-time consolidation of Bird Machine, higher work-in-progress for some projects and increased sales in the services business were the main factors for this positive development. Sales in the Second Quarter of 2004 were also significantly up compared to the reference Quarter of last year (45.0 MEUR in Q2 2004 vs. 21.4 MEUR in Q2 2003).

Due to the increase in Sales, the Business Area's EBITA improved to 3.5 MEUR in the First Half of 2004 (H1 2003: -1.6 MEUR). At 4.1%, EBITA margin is still at an unsatisfactory level. Bird Machine, acquired in January 2004, continued to develop as planned.

Order Intake in the First Half of 2004 reached 94.1 MEUR, almost double the amount of last year's First Half (47.2 MEUR). This is mainly due to the consolidation of Bird Machine, which was not included in the reference period of last year.

With the acquisition of the Filtration Business Unit of the NETZSCH Group, the Andritz Group, expands its system know-how in the Environment and Process Business Area. The combined product portfolio of Andritz, Bird Machine, Humboldt, Rittershaus and Blecher, and NETZSCH filter presses enables the Business Area to offer its customers an extremely comprehensive and modern range of machines and systems for solid/liquid separation.

## MAJOR ORDERS

- In the field of sludge treatment, the Business Area received several orders for centrifuges and filter presses. Larger packages will be supplied to Germany, the US,

the Netherlands, and Taiwan. In industrial applications, major orders were booked for plastics and mineral processing.

- Order Intake in the services business also developed favorably, with significant market share being won in the field of centrifuge repairs.

## FEED TECHNOLOGY

### KEY FIGURES (IAS)

MEUR	H1 2003	H1 2004	Change	Q2 2003	Q2 2004	Change
Sales	48.7	50.4	+3.5%	26.5	28.1	+6.0%
Order Intake	55.5	49.7	-10.5%	25.2	22.9	-9.1%
Order Backlog as of end of period	29.1	23.6	-18.9%	29.1	23.6	-18.9%
EBITDA	3.4	3.6	+5.9%	2.8	2.9	+3.6%
EBITDA Margin	7.0%	7.1%	-	10.6%	10.3%	-
EBITA	2.0	2.1	+5.0%	2.0	2.2	+10.0%
EBITA Margin	4.1%	4.2%	-	7.5%	7.8%	-
Employees as of end of period	573	523	-8.7%	573	523	-8.7%

## MARKET DEVELOPMENT

Project activity in the animal feed industry was satisfactory in Eastern Europe and showed signs of improvement in North and South America.

The situation in Asia is stabilizing since the avian flu has largely been brought under control. The related change in food habits has led to substantial improvements in pork prices in Asia as well as in Western countries exporting to Asia.

In the market for renewable energy - waste, and wood pelleting technology - the activity remained at a satisfactorily high level in Europe and North America.

## BUSINESS DEVELOPMENT

Due to the moderate market development, Sales of the Feed Technology Business Area in the First Half of 2004, at 50.4 MEUR, were only slightly higher than for last year's reference period (H1 2003: 48.7 MEUR). Excluding exchange rate effects resulting from the increase of the Euro against the US dollar, Sales would have been up by 5.6%.

Earnings of the Business Area did not develop as planned. As a result of exchange rate effects due to the strength of the Euro against the US dollar and delays in the current restructuring of the Business Area, EBITA developed below expectations. However, at 2.1 MEUR, EBITA in the First Half of 2004 moderately increased compared to the First Half of 2003 (2.0 MEUR). As further restructuring will cause additional costs, EBITA in the Second Half of 2004 will not exceed the level of the First Half of 2004. As a result, EBITA for the full year of 2004 is expected to be lower than for the full year of 2003 (4.8 MEUR).

Orders for medium-sized systems, single unit machines, and aftermarket developed positively in the First Half of 2004. As only few large orders for complete production systems were received, the Order Intake, at 49.7 MEUR, was below last year's reference period (H1 2003: 55.5 MEUR).

The Business Area succeeded in obtaining medium-sized orders for animal feed plant modernizations and for renewable energy pelleting.

Several feed plant optimization projects are in the design/engineering stage.

A 60 tph+ expander/pelleting line in the new largest feed mill in Asia was successfully commissioned.

## HYDRAULIC MACHINES / OTHER OPERATIONS

### KEY FIGURES (IAS)

MEUR	H1 2003	H1 2004	Change	Q2 2003	Q2 2004	Change
Sales	15.1	14.2	-6.0%	7.6	7.8	+2.6%
Order Intake	21.0	26.7	+27.1%	15.8	19.4	+22.8%
Order Backlog as of end of period	27.2	39.8	+46.3%	27.2	39.8	+46.3%
EBITDA	3.8	2.8	-26.3%	1.1	0.7	-36.4%
EBITDA Margin	25.2%	19.7%	-	14.5%	9.0%	-
EBITA	3.1	2.0	-35.5%	0.8	0.3	-62.5%
EBITA Margin	20.5%	14.1%	-	10.5%	3.8%	-
Employees as of end of period	257	335	+30.4%	257	335	+30.4%

### MARKET DEVELOPMENT

In the area of turbines and large-scale pumps, there was continued strong project activity in Asia, especially China. In Europe, too, investments by the power generation industry have increased considerably. There was increased demand not only for rebuilds and modernizations, but also for new plants.

In the area of stock pumps for pulp and paper applications, China continued to be a very active market. Andritz has a strong presence in this area with its two companies in Foshan, and has managed to further strengthen its market leader position.

### BUSINESS DEVELOPMENT

Sales of the Hydraulic Machines / Other Operations Business Area decreased to 14.2 MEUR in the First Half of 2004 (H1 2003: 15.1 MEUR), EBITA decreased to 2.0 MEUR (H1 2003: 3.1 MEUR). The decline in Earnings is mainly due to the high level of last year's First Half resulting from the release of a provision.

Order Intake in the First Half of 2004 was significantly higher than in the reference period of last year (26.7 MEUR in H1 2004 vs. 21.0 MEUR in H1 2003). This is mainly due to the successful development of the Andritz-Kenflo joint venture in China.

### MAJOR ORDERS

- The contract for irrigation pumps for Kenana Extension in Sudan was set into force. The order for the second large-scale revision of the machine sets in a hydro power plant for E.ON, in Germany was received recently.
- Schwarze Pumpe paper mill in Germany placed a follow-up order for more than 100 centrifugal pumps. A letter of intent was received for two pumping stations for an African irrigation project.

# INTERIM CONSOLIDATED STATEMENT OF INCOME

FOR THE FIRST HALF OF 2004 AND 2003 (UNAUDITED)

(in TEUR)	H1 2004	H1 2003	Q2 2004	Q2 2003
<b>Sales</b>	<b>685,773</b>	<b>576,974</b>	<b>353,999</b>	<b>326,672</b>
Changes in inventories of finished goods and work in progress	19,525	9,549	8,277	1,210
Capitalized cost of self-constructed assets	720	58	543	(2)
	<b>706,018</b>	<b>586,581</b>	<b>362,819</b>	<b>327,880</b>
Other operating income	10,506	6,131	4,457	2,771
Cost of materials	(407,225)	(332,752)	(204,204)	(192,549)
Personnel expenses	(161,382)	(146,358)	(83,135)	(73,836)
Other operating expenses	(95,938)	(78,720)	(50,420)	(45,753)
<b>Earnings before interest, taxes, depreciation, and amortization of goodwill (EBITDA)</b>	<b>51,979</b>	<b>34,882</b>	<b>29,517</b>	<b>18,513</b>
Depreciation and amortization (without amortization of goodwill)	(10,717)	(10,533)	(5,365)	(5,240)
<b>Earnings before interest, taxes and amortization of goodwill (EBITA)</b>	<b>41,262</b>	<b>24,349</b>	<b>24,152</b>	<b>13,273</b>
Amortization of goodwill	(8,257)	(6,905)	(4,746)	(3,438)
<b>Earnings before interest and taxes (EBIT)</b>	<b>33,005</b>	<b>17,444</b>	<b>19,406</b>	<b>9,835</b>
Income/expenses from associated companies	(297)	(216)	(136)	21
Interest results	(404)	824	(150)	85
Other income/expenses from financing activities	426	75	35	229
<b>Financial results</b>	<b>(275)</b>	<b>683</b>	<b>(251)</b>	<b>335</b>
<b>Earnings before taxes (EBT)</b>	<b>32,730</b>	<b>18,127</b>	<b>19,155</b>	<b>10,170</b>
Income taxes	(6,578)	(7,641)	(1,289)	(4,142)
<b>Net income</b>	<b>26,152</b>	<b>10,486</b>	<b>17,866</b>	<b>6,028</b>
Share of profit/loss due to minority interests	(692)	(668)	(397)	(345)
<b>Net income excluding minority interests</b>	<b>25,460</b>	<b>9,818</b>	<b>17,469</b>	<b>5,683</b>
Earnings per non par value share (in EUR)	1.97	0.76	1.36	0.44
Weighted average number of non par value shares	12,892,840	12,874,998	12,890,921	12,851,002

# CONSOLIDATED BALANCE SHEET

AS OF 30 JUNE 2004 (UNAUDITED) AND 31 DECEMBER 2003

(in TEUR)	30.06.2004	31.12.2003
<b>Assets</b>		
Intangible assets	4,162	4,921
Goodwill	116,131	122,785
Property, plant and equipment	124,273	127,165
Shares in associated companies	2,718	3,022
Investments	11,946	2,340
<b>Fixed and financial assets</b>	<b>259,230</b>	<b>260,233</b>
<b>Deferred tax assets</b>	<b>18,703</b>	<b>18,876</b>
Inventories	145,682	107,714
Advance payments made	25,107	17,334
Trade accounts receivable	189,944	216,702
Cost and earnings of projects under construction in excess of billings	114,424	107,738
Other receivables	64,442	60,510
Prepayments and deferred charges	6,948	4,224
Marketable securities	48,279	52,705
Cash and cash equivalents	182,348	120,876
<b>Current assets</b>	<b>777,174</b>	<b>687,803</b>
<b>Total assets</b>	<b>1,055,107</b>	<b>966,912</b>
<b>Shareholders' equity and liabilities</b>		
Share capital	94,510	94,510
Capital reserves	45,966	45,966
Retained earnings	102,009	92,008
<b>Shareholders' equity</b>	<b>242,485</b>	<b>232,484</b>
<b>Minority interests</b>	<b>6,975</b>	<b>6,616</b>
Bonds	100,000	100,000
Bank loans - non current	4,747	4,486
Provisions - non current	79,336	72,969
Obligation under finance leases - non current	759	919
<b>Non-current liabilities</b>	<b>184,842</b>	<b>178,374</b>
<b>Liabilities for deferred taxes</b>	<b>47,082</b>	<b>50,546</b>
Bank loans - current	12,162	11,104
Obligation under finance leases - current	505	484
Bills of exchange	0	1,550
Trade accounts payable	104,845	104,580
Billings in excess of cost and earnings of projects under construction	153,140	107,399
Advance payments received	50,667	30,765
Provisions - current	84,114	77,459
Liabilities for current taxes	12,623	16,670
Other current liabilities	155,667	148,881
<b>Current Liabilities</b>	<b>573,723</b>	<b>498,892</b>
<b>Total Shareholders' equity and liabilities</b>	<b>1,055,107</b>	<b>966,912</b>

# DEVELOPMENT OF SHAREHOLDERS' EQUITY

(UNAUDITED)

(in TEUR)	Share capital	Capital reserves	Retained earnings	Currency translation adjustments	Total
<b>Status as at 1 January 2003</b>	<b>94,510</b>	<b>45,966</b>	<b>92,518</b>	<b>(10,057)</b>	<b>222,937</b>
Net income excluding minority interests			9,818		9,818
Dividend payments			(11,543)		(11,543)
Currency translation adjustments				(7,583)	(7,583)
Purchase of own shares			(900)		(900)
Changes to IAS 39 reserve			4,026		4,026
<b>Status as at 30 June 2003</b>	<b>94,510</b>	<b>45,966</b>	<b>93,919</b>	<b>(17,640)</b>	<b>216,755</b>
<b>Status as at 1 January 2004</b>	<b>94,510</b>	<b>45,966</b>	<b>119,682</b>	<b>(27,674)</b>	<b>232,484</b>
Net income excluding minority interests			25,460		25,460
Dividend payments			(12,889)		(12,889)
Currency translation adjustments				3,202	3,202
Purchase of own shares			58		58
Changes to IAS 39 reserve			(5,830)		(5,830)
<b>Status as at 30 June 2004</b>	<b>94,510</b>	<b>45,966</b>	<b>126,481</b>	<b>(24,472)</b>	<b>242,485</b>

# INTERIM CONSOLIDATED CASH FLOW STATEMENT

FOR THE FIRST HALF OF 2004 AND 2003 (UNAUDITED)

	H1 2004	H1 2003
Cash flow from operating activities	90,532	41,134
Cash flow from investing activities	(15,235)	(28,697)
Cash flow from financing activities	(13,825)	(13,452)
Change in cash and cash equivalents	61,472	(1,015)
Cash and cash equivalents at the beginning of the period	120,876	188,129
Cash and cash equivalents at the end of the period	182,348	187,114

## ANDRITZ SHARES

### Share price development

During the First Half of 2004, the Andritz share price increased 9.5%. With this development, the Andritz share underperformed the ATX, which went up by 26.8% during the same period. However, during the Second Quarter of 2004, the Andritz share slightly outperformed the ATX. It increased 6.0% (+4.9% for the ATX).

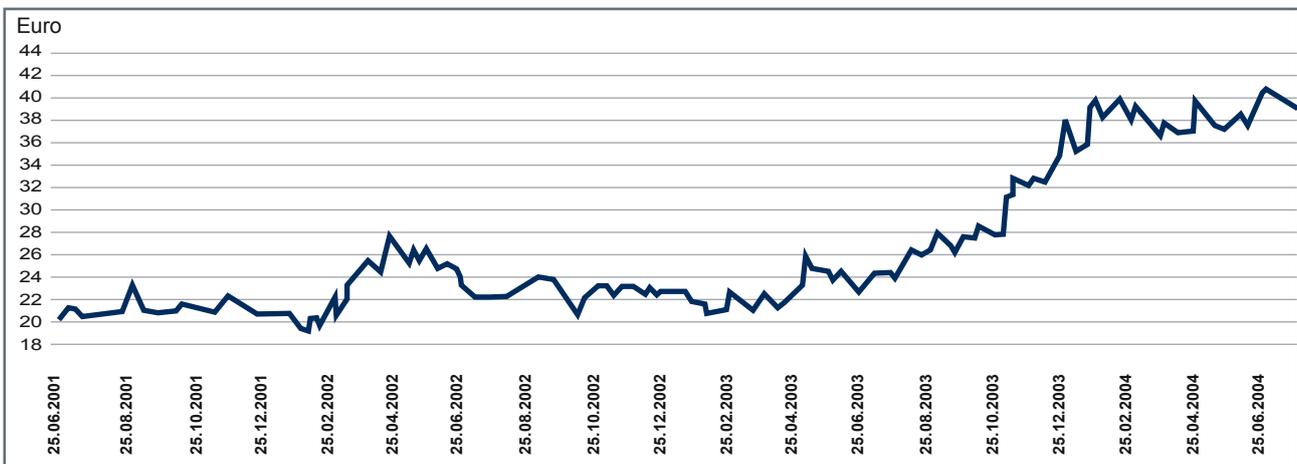
The highest closing price during the reporting period was 40.99 Euros (June 28, 2004), the lowest 35.00 Euros (January 8, 2004).

### Trading volume

The average daily trading volume during the First Half of 2004 was 68,238 shares (First Half of 2003: 28,565 shares) or 2,594,442 Euros (First Half of 2003: 658,065 Euros).

The highest trading volume was noted on April 23, 2004 (341,628 shares), the lowest trading volume was 3,754 shares (May 27, 2004).

### SHARE PRICE PERFORMANCE OF THE ANDRITZ SHARES SINCE THE IPO



### KEY FIGURES FOR ANDRITZ SHARES

	H1 2003	H1 2004
<b>Highest closing price (EUR)</b>	25.90	<b>40.99</b>
<b>Lowest closing price (EUR)</b>	21.00	<b>35.00</b>
<b>Closing price as of end of period (EUR)</b>	23.39	<b>40.27</b>
<b>Market capitalization as of end of period (MEUR)</b>	304.1	<b>523.5</b>
<b>Performance</b>	+1.7%	<b>+9.5%</b>
<b>ATX weighting as of end of period (%)</b>	1.7716	<b>1.7013</b>
<b>Average daily number of shares traded</b>	28,565	<b>68,238</b>

### CONTACT

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### FINANCIAL CALENDAR FOR 2004

- Roadshow in Paris in cooperation with the Vienna Stock Exchange  
▶ 8 September 2004
- Roadshow in Edinburgh in cooperation with the Vienna Stock Exchange  
▶ 28 September 2004
- Participation in investors conference of Erste Bank  
▶ 7 October 2004
- Q1-Q3 2004  
▶ 8 November 2004
- Roadshow in Zurich in cooperation with the Vienna Stock Exchange  
▶ 11 November 2004
- Roadshow in New York in cooperation with the Vienna Stock Exchange  
▶ 6 December 2004