



FIRST THREE QUARTERS OF 2006

Solid development of Andritz's relevant markets
Increase in Order Intake, Sales, and Earnings
Andritz shares outperform ATX

ANDRITZ

FIRST THREE QUARTERS OF 2006

General economic conditions

During the Third Quarter of 2006, the U.S. economy showed continued signs of further weakening growth, with both private consumption and capital expenditures by companies slowing during the reporting period. Due to falling energy prices, as well as a decline in real estate prices, the inflationary pressure has eased somewhat. As a consequence, the Federal Reserve Board (FED) kept key interest rates unchanged at 5.25% during the reporting period. For the full year of 2006, market researchers expect the U.S. economy to grow by 3.4% (2005: 3.5%).

In Euroland, economic activities continued to expand during the Third Quarter of 2006. This positive development was mainly driven by a strong increase in capital expenditures by companies as well as an increase in exports. The European Central Bank (ECB) indicated that in order to dampen potential inflationary tendencies, further increases in key interest rates can be expected during the coming months. For the full year of 2006, Euroland is expected to grow by 2.5% (2005: 1.5%).

In China, economic activities remained very robust during the reporting period, with fast growth in both private consumption and corporate capital expenditure.

Sources: OECD, WIFO, OeNB, RZB, Volksbank

Business development during the First Three Quarters of 2006

Increase in Sales

Sales in the Third Quarter of 2006 amounted to 735.2 MEUR, increasing 72.4% compared to the reference period of last year (Q3 2005: 426.5 MEUR). This increase is mainly due to continued strong organic growth and the first-time consolidation of VA TECH HYDRO, which was included in the Group's profit and loss account from Q3 2006. VA TECH HYDRO added 160.8 MEUR to Group Sales in Q3 2006. Organic growth of the Group, therefore, was approximately 29.4% during the Third Quarter of 2006, with all Business Areas contributing to this growth.

During the First Three Quarters of 2006, Sales of the Andritz Group increased to 1,702.6 MEUR (Q1-Q3 2005: 1,204.0 MEUR).

Strong increase in Order Intake

Order Intake in the Third Quarter of 2006 also developed very favorably, reaching 785.8 MEUR (Q3 2005: 509.9 MEUR). All Business Areas, in particular the Pulp and Paper, and Feed and Biofuel Business Areas, showed a solid development of Order Intake. Order Intake of the Hydro Power Business Area, reaching 183.7 MEUR in Q3 2006, was influenced by the first-time consolidation of VA TECH HYDRO, adding 150.1 MEUR to Order Intake during Q3 2006.

Order Intake for the First Three Quarters of 2006 was 2,062.9 MEUR, increasing 47.3% compared to the reference period of last year (Q1-Q3 2005: 1,400.2 MEUR).

Order Backlog as of 30.9.2006 surged to 3,561.9 MEUR, reaching a new record level (30.9.2005: 1,667.8 MEUR). VA TECH HYDRO added 1,447.9 MEUR to the Group's Order Backlog. Thus, the Andritz Group has a solid visibility with regard to Sales for the coming months.

Favorable development of Earnings

In line with higher Sales, Earnings before Interest and Taxes (EBIT) increased to 42.0 MEUR during the Third Quarter of 2006 (Q3 2005: 27.6 MEUR). As expected, EBIT margin, at 5.7% for the Third Quarter of 2006, however, weakened compared to Q3 2005 (6.5%). This was mainly due to the first-time consolidation of VA TECH HYDRO.

EBIT for the First Three Quarters of 2006 amounted to 99.7 MEUR, an increase of 37.0% compared to the reference period of last year (Q1-Q3 2005: 72.8 MEUR). Net Income after deduction of Minority Interests amounted to 68.2 MEUR, increasing 21.4% compared to the reference period of last year (Q1-Q3 2005: 56.2 MEUR).

Net worth position and balance sheet structure

The development of total assets as of 30.9.2006 was primarily influenced by the first-time consolidation of VA TECH HYDRO and the issue of the 200 million Euro corporate bond in June 2006. As a consequence, total assets of the Andritz Group increased to 2,139 MEUR as of 30.9.2006 (1,391 MEUR as of 31.12.2005; 1,281 MEUR as of 30.9.2005).

As of 30.9.2006, the Group's net liquidity (cash and cash equivalents minus interest-bearing financial liabilities) was 229.4 MEUR, in line with the long-term average level of the Group. Compared to the exceptionally high level as of 31.12.2005 (383.9 MEUR), this is a decline of 40.2%.

The equity ratio as of 30.9.2006 was 17.2% (31.12.2005: 23.6%). This decline mainly results from the first-time consolidation of VA TECH HYDRO and the bond issue.

Acquisitions

Since their dates of acquisition, the 2006 acquired businesses (Küstlers, Pilão, and VA TECH HYDRO) contributed 192.6 MEUR to Sales and 8.5 MEUR to EBITA (Earnings before Interest, Taxes, and Amortization of Goodwill) of the Andritz Group. If the acquisitions had been at the beginning of the 2006, the Group's Sales would have been 2,012.5 MEUR, and the Group's EBITA would amount to 110.5 MEUR.

Key figures for the First Three Quarters of 2006 (IFRS)

(in MEUR)	Q1-Q3 2005	Q1-Q3 2006	Change	Q3 2005	Q3 2006	Change
Sales	1,204.0	1,702.6	+41.4%	426.5	735.2	+72.4%
Order Intake	1,400.2	2,062.9	+47.3%	509.9	785.8	+54.1%
Order Backlog (as of end of period)	1,667.8	3,561.9	+113.6%	1,667.8	3,561.9	+113.6%
EBITDA ¹⁾	90.4	122.7	+35.7%	33.7	52.5	+55.8%
EBITDA Margin	7.5%	7.2%	-	7.9%	7.1%	-
EBITA ²⁾	72.8	99.7	+37.0%	27.6	42.0	+52.2%
EBITA Margin	6.0%	5.9%	-	6.5%	5.7%	-
Operating results (EBIT)	72.8	99.7	+37.0%	27.6	42.0	+52.2%
EBIT Margin	6.0%	5.9%	-	6.5%	5.7%	-
Earnings before Taxes	74.4	101.4	+36.3%	28.2	41.5	+47.2%
Net Income excl. Minority Interests	56.2	68.2	+21.4%	23.9	28.2	+18.0%
Cash flow from Operating Activities	107.3	-35.6	-133.2%	68.8	52.4	-23.8%
Capital Expenditure ³⁾	18.0	27.2	+51.1%	8.2	14.1	+72.0%
Employees (as of end of period)	5,905	10,010	+69.5%	5,905	10,010	+69.5%

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

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

3) Additions to tangible and intangible assets

PULP AND PAPER

Market development

During the Third Quarter of 2006, pulp prices continued the upward trend shown since the beginning of the year. Due to unchanged strong demand from international paper producers and reduced pulp supply from North American pulp producers, the price for Northern Bleached Softwood Kraft Pulp (NBSK) increased from approximately 670 US dollars per ton as of the beginning of July to approximately 730 US dollars per ton as of the end of September 2006. In September, NBSK inventories reached a six-year low. As a consequence and due to unchanged solid demand from the paper producers, international pulp producers have announced further price increases for the coming months.

The price for short-fiber pulp (birch and eucalyptus) also increased during the Third Quarter of 2006, although much more moderately than for NBSK. This was due to the availability of sufficient production capacities and expectations that further capacities will come on-stream, especially in South America, during the next few Quarters.

Project activity during the reporting period remained at a satisfactory level, with the focus again on investments in the Southern hemisphere (South America, South Africa, and Asia) and China.

Business development

Sales of the Business Area for the Third Quarter of 2006 amounted to 319.5 MEUR, increasing 32.9% compared to the reference Quarter of 2005 (240.4 MEUR). EBITA, at 18.6 MEUR, also developed favorably during the Third Quarter of 2006 (Q3 2005: 14.5 MEUR).

For the First Three Quarters of 2006, the Business Area's Sales amounted to 859.0 MEUR, which is an increase of 21.1% compared to the reference value of last year (Q1-Q3 2005: 709.3 MEUR). EBITA increased to 50.0 MEUR (Q1-Q3 2005: 42.5 MEUR).

At the beginning of October, the Supervisory Board of Andritz AG approved changes in the Managing Board of Andritz AG. After 15 years on the Board, Bernhard Rebernik will – on reaching the age of 65 – resign from the Managing Board as of the end of March 2007 and move into retirement. With the expiration of his mandate in December 2006, Markku Hänninen – on the Board since 2002 – will also resign as a member of the Andritz Managing Board and become a member of the Supervisory Board of the Finish subsidiary Andritz Oy. Karl Hornhofer and Humbert Köfler, who have served as Andritz Divisional Managers for many years, were appointed new members of the Andritz Managing Board as of January and April 2007, respectively.

In order to even better fulfill the expectations of Andritz's customers, the Pulp and Paper Business Area will be divided into two segments: Capital Equipment (Karl Hornhofer's responsibility) and Service (Humbert Köfler's responsibility). The goal is to further improve coordination between different product groups and benefit from opportunities in local service markets.

Andritz acquired the worldwide chip thickness screening business of BMH Wood Technology Oy, Finland. This transaction strengthens the position of Andritz as a leading supplier of wood processing equipment and services.

The Order Intake of the Business Area developed very favorably during the Third Quarter of 2006, with all Divisions showing a solid enhancement. At 380.1 MEUR, it surged by 79.5%, compared to the reference Quarter of last year (211.8 MEUR). Order Intake of the First Three Quarters of 2006 reached 1,128.5 MEUR, up 83.8% compared to the reference period of last year (Q1-Q3 2005: 613.9 MEUR).

Key figures Pulp and Paper

(in MEUR)	Q1-Q3 2005	Q1-Q3 2006	Change	Q3 2005	Q3 2006	Change
Sales	709.3	859.0	+21.1%	240.4	319.5	+32.9%
Order Intake	613.9	1,128.5	+83.8%	211.8	380.1	+79.5%
Order Backlog (as of end of period)	871.7	1,273.6	+46.1%	871.7	1,273.6	+46.1%
EBITDA	51.9	59.9	+15.4%	17.6	22.1	+25.6%
EBITDA Margin	7.3%	7.0%	-	7.3%	6.9%	-
EBITA	42.5	50.0	+17.6%	14.5	18.6	+28.3%
EBITA Margin	6.0%	5.8%	-	6.0%	5.8%	-
Employees (as of end of period)	3,024	3,767	+24.6%	3,024	3,767	+24.6%

Major orders

Hunan Tiger Forest & Paper Group Co., Ltd., China selected Andritz to supply the main equipment for a greenfield pulp mill in Huaihua, Hunan Province. The new mill will produce 400,000 t/a of bleached kraft pulp. Andritz's scope of supply includes wood handling, cooking, washing, screening, bleaching, pulp drying, bale handling, and chemical recovery (evaporation, combustion, recausticizing, and lime kiln). The fiberline with the Downflow Lo-Solids® digester and DD washers will produce 1,242 t/d. The recovery boiler will be the first in China designed for higher pressures and temperatures to maximize electricity production from biomass. The white liquor plant will include the most modern technology for white liquor filtration and lime mud dewatering, and the first X-Filter to be installed in China.

Sappi Saiccor (Pty.) Ltd., South Africa, the world's largest manufacturer of viscose pulp, selected Andritz to supply the screening, oxygen delignification, bleaching, evaporation, and pulp drying systems for the Umkomaas mill near Durban. Capacity of the mill will be increased from 600,000 to 800,000 t/a. Andritz will provide the basic and detail engineering, equipment, mechanical erection, supervision, start-up, and training. The bleach plant represents state-of-the-art process technology. The pulp drying line is based on the very successful Andritz Twin Wire former. In addition, Andritz Küsters will supply a calender to produce the uniform pulp sheet properties. The six-effect evaporation plant is an advanced sulphite liquor evaporator. It is equipped with a stripper and a methanol recovery unit for the cleaning of condensates.

Aracruz Celulose S.A., Brazil selected Andritz to provide a complete chipping line for the woodyard and a StiroX system for white liquor oxidation as part of the modernization of Fiberline C at the company's Espirito Santo mill.

In addition to these orders, the individual Divisions received orders as follows:

The **Wood Processing Division** received an order from Stora Enso to supply new equipment for a dual-line woodyard in Varkaus, Finland. This new woodyard will represent the most modern and efficient wood processing technology available to minimize wood losses and produce quality chips. Verso Paper ordered a grinder loading system for the Androscoggin mill in Maine, USA. Several orders for new chippers were also received from Russia and Indonesia.

The **Recovery Division** received an order for an evaporation plant upgrade from Papelera Guipuzcoana De Zicunaga, Spain.

The **Chemical Systems Division** will supply two LMD kilns and a recausticizing plant to a confidential customer in Asia.

The **Pulp Mill Services Division** received orders for a chip sampler (after successful completion of the evaluation period for this new product), an HQ⁺ service contract, and a lime kiln rebuild from UPM, Finland. Also in Finland, Metsä-Botnia signed an OPE™ service agreement with Andritz to provide service for the cooking plant. In the USA, the Division was selected to upgrade a recovery boiler for Georgia-Pacific and to provide a filter drum replacement for Smurfit Stone. In Indonesia, the Division was selected to perform upgrades on recovery boilers at two APP mills. Major shutdown work was completed for APRIL SSSYMB in China.

The **Pulp and Paper Machines Division** received an order for the first new PrimeLine™ Compact Tissue Machine soon after the concept was introduced to the market. The Compact concept, including stock preparation, provides a cost-effective tissue machine with proven Andritz modular technology. The Division also booked orders for another new tissue machine at Hunan Hengan Paper Co. Ltd., China (the fifth tissue machine for the Hengan Group in a row) and several tissue machine hoods in Asia.

The **Fiber Preparation Systems Division** received an order from Georgia-Pacific in Georgia, USA for a new FibreFlow™ drum pulper. In China, Zhejiang Jingxing Paper ordered the main equipment for an approach system for their board machine, and Stora Enso Huatai ordered a complete deinking line, stock preparation system, and paper machine approach system. Also included in the order are the systems for sludge dewatering, chemical preparation, and water treatment. JTI Yelets, Russia ordered stock refining equipment and Durango, Mexico selected Andritz to upgrade an existing deinking line. The main equipment for a stock preparation system will be delivered to Abhishek Industries Ltd., India, and the Division will deliver the stock preparation system for a tissue machine to Al Snobar Hygienic Paper Mill, Jordan, plus the OCC line and stock preparation systems for PT. Indah Kiat Pulp & Paper, Indonesia. →

A major player in the pulp and paper industry placed two large orders with the **Mechanical Pulping Systems Division** for the delivery of two complete P-RC™ APMP lines. The integrated mechanical pulping plants will treat various hardwood species (eucalyptus, poplar, etc) and are designed to produce printing and writing as well as board grades. Both mechanical pulping lines comprise a chip washing and impregnation system, a mainline refining system, a heat recovery system, reject refining, screening and cleaning, thickening, pulp washing and final storage system. To fulfill the highest environmental and operational standards both lines will be connected with a zero-effluent system. The decision in Andritz's favor was made due to its leading and environmentally-friendly mechanical pulping process technology which provides the highest pulp quality at the lowest possible energy and operational costs. The start-up for both lines is scheduled for late 2007.

A leading Chinese paper producer signed a contract with the Mechanical Pulping Systems Division for another P-RC™ APMP system. The start-up of this hardwood based integrated system is scheduled for 2008. Norampac, Trenton, Ontario awarded an order for a complete chip washing system.

The **Panelboard department** received an order from Unopan Tableros de Fibras, S.A., Spain for the supply of a fiber preparation system to its new MDF factory in Burgos. The Andritz scope of supply for a complete pressurized refining system also includes the woodyard, consisting of debarking, chipping, chip handling, screening and cleaning system. The plant is designed for a capacity of 720 t/d and will be equipped with a 54/60"-1CP refiner. The contract was signed in July 2006, and the start-up is scheduled for the Third Quarter of 2007.

The **Paper Mill Services Division** received several major orders for screen baskets from Nine Dragons, China, Aspex Paper, Indonesia, and Celwood, Sweden. Significant orders for dewatering and drying service products were received from Mondi Merebank, South Africa, Norske Skog, France, and Stora Enso, Sweden. Orders for mechanical pulping services and automation systems continued at an active pace. Holmen Paper, Sweden, Weyerhaeuser, Canada, Catalyst Paper, Canada, and Boise Cascade, USA all placed significant orders. The Service business for stock preparation systems continues to expand, with an order from Georgia-Pacific and two orders from Weyerhaeuser in the USA.

ROLLING MILLS AND STRIP PROCESSING LINES

Market development

During the First Three Quarters of 2006, the market for carbon steel and stainless steel equipment continued to develop positively. Projects concentrated mainly on China, India, and Europe; in these regions, several orders for new plants and the modernization of existing mills were awarded.

Prices for cold-rolled steel and stainless steel products increased during the reporting period. Due to continued solid demand, some producers – especially for stainless steel – announced further price increases for the coming months. Global crude steel production in 2006 is expected to amount to approximately 1.2 billion tons, up 4% as compared to 2005. For stainless steel, market researchers expect global production in 2006 to rise to approximately 26 million tons, up 7% compared to 2005.

Business development

Sales of the Business Area increased to 120.4 MEUR during the Third Quarter of 2006, up 47.2% compared to the reference period of last year (Q3 2005: 81.8 MEUR). EBITA also developed very favorably. At 8.6 MEUR for the Third Quarter of 2006, it was significantly up compared to the reference period of last year (Q3 2005: 5.6 MEUR).

For the First Three Quarters of 2006, Sales amounted to 294.8 MEUR, increasing by 47.8% compared to the reference period of last year (Q1-Q3 2005: 199.4 MEUR). In step with Sales, EBITA was also up, to 18.4 MEUR for the First Three Quarters of 2006 (Q1-Q3 2005: 11.2 MEUR).

Andritz received the final acceptance certificate for a hot rolled annealing and pickling line supplied to Baosteel Group, Ningbo, China. The line has a capacity of 700,000 t/y.

Order Intake during the Third Quarter of 2006 was 116.8 MEUR. This is strong decrease compared to the very high level of the Third Quarter of 2005 (193.1 MEUR), which was influenced by the receipt of some major orders from China. Order Intake for the First Three Quarters of 2006 amounted to 316.5 MEUR, down 21.6% compared to the reference period of last year (Q1-Q3 2005: 403.9 MEUR).

Key figures Rolling Mills and Strip Processing Lines

(in MEUR)	Q1-Q3 2005	Q1-Q3 2006	Change	Q3 2005	Q3 2006	Change
Sales	199.4	294.8	+47.8%	81.8	120.4	+47.2%
Order Intake	403.9	316.5	-21.6%	193.1	116.8	-39.5%
Order Backlog (as of end of period)	499.5	474.1	-5.1%	499.5	474.1	-5.1%
EBITDA	12.9	20.0	+55.0%	6.2	9.1	+46.8%
EBITDA Margin	6.5%	6.8%	-	7.6%	7.6%	-
EBITA	11.2	18.4	+64.3%	5.6	8.6	+53.6%
EBITA Margin	5.6%	6.2%	-	6.8%	7.1%	-
Employees (as of end of period)	750	805	+7.3%	750	805	+7.3%

Major orders

Andritz received an order from ThyssenKrupp Nirosta, Krefeld, Germany for the rehabilitation of the stainless steel annealing and pickling lines at its Krefeld works which had been damaged in a fire. Being one of the most efficient manufacturing lines of its kind, it is to be rebuilt as quickly as possible.

TIAN-TIE Group, Tianjin, China ordered an acid regeneration plant for their plant in Tianjin, near Beijing. The plant, which has a capacity of 11,700 liters per hour, is designed for a future upgrade to produce even higher oxide qualities. Start-up is scheduled for the beginning of 2008. With this order, Andritz once again confirmed its leading position in acid regeneration technology. In addition, the TIAN-TIE Group placed an order with Andritz for the supply of a continuous annealing furnace for a new hot dip galvanizing line.

Salzgitter Flachstahl, Germany awarded an order for a cut-to-length line for materials with thicknesses in the range from 2 to 16 mm. The line is equipped with side trimming and scrap cropping machines, with flying shears, and a high precision vacuum stacker. With a patent for highly precise levelers with almost unlimited thickness range, Andritz is among the market leaders for cut-to-length lines for thick materials with high precision requirements. The line will be ready for production at the end of 2007.

The E-United Group, Taiwan placed a further order for an annealing and pickling line with integrated rolling mills for their new stainless steel plant in China. This is already the fourth large order awarded to Andritz for this new stainless steel plant.

ENVIRONMENT AND PROCESS

Market development

During the Third Quarter of 2006, the market for sewage sludge dewatering equipment remained at a satisfactory level in Western Europe and the USA. In China, project activity continued to be very high. Project activity for sludge drying plants focused on the UK, South East Europe and South East Asia. Due to rising fuel prices, the market for refurbishments of drying plants with combined heat and power solutions and plants with combined incineration is on the rise.

Project activity for industrial applications for the petrochemical, minerals, mining, and food processing industries was very high in most areas of the world. Also, the demand for dewatering equipment to treat industrial sludges remained at a very high level.

Business development

The Business Area's Sales during the Third Quarter of 2006 increased to 82.3 MEUR, up 24.7% compared to the Third Quarter of 2005 (66.0 MEUR). However, EBITA, at 4.2 MEUR for the Third Quarter of 2006, remained unchanged compared to the Third Quarter of 2005. This was mainly due to cost-overruns at some projects of the Thermal Process Technologies Division, offsetting the continued positive Earnings trend of the Separation Technologies Division.

Sales of the Business Area for the First Three Quarters of 2006 were 249.6 MEUR, which is an increase of 30.1% compared to the reference period of last year (Q1-Q3 2005: 191.9 MEUR). EBITA amounted to 13.9 MEUR (Q1-Q3 2005: 11.9 MEUR).

In October 2006, Andritz signed an agreement to purchase CONTEC Decanter Inc. based in San Leandro, CA, USA. CONTEC specializes in the repair and maintenance of centrifuges and separators for various industries. The company has annual Sales of approximately 3 MEUR. With this acquisition, Andritz has added a service center for centrifuges and separators on the West Coast of the USA to its network of existing service centers in the USA, Europe, and Asia. This will enable Andritz to serve local customers better and faster and to strengthen its leading position in servicing centrifuge installations.

Order Intake of the Third Quarter of 2006 amounted to 73.6 MEUR, slightly up compared to the refer-

ence Quarter of last year (Q3 2005: 70.4 MEUR). In particular, the Separation Technologies Division continued to show a very strong inflow of orders. For the First Three Quarters of 2006, Order Intake of the Business Area increased to 284.4 MEUR, which is an increase of 7.9% as compared to the reference period of last year (Q1-Q3 2005: 263.5 MEUR).

Major orders

In the dewatering segment, major orders for centrifuges and filter presses were received from municipalities, the chemical, mining, and minerals industries in Europe, the Arabic Countries, China, and the U.S.

Alunorte, Brazil awarded Andritz another contract for five large hyperbaric disc filters for the dewatering of bauxite.

The Business Area received an order to supply three large centrifuges for a HDPE plant in Saudi Arabia.

Ortec Industries SA, France ordered a belt drying system for municipal sludge.

For Xin Jiang Zhongtai Chemical Co. Ltd, China Andritz will deliver a large fluidized bed drying system with a capacity of 30 t/h for PVC suspensions. The dryer case will be manufactured by the Andritz workshop in Foshan, China.

Key figures Environment and Process

(in MEUR)	Q1-Q3 2005	Q1-Q3 2006	Change	Q3 2005	Q3 2006	Change
Sales	191.9	249.6	+30.1%	66.0	82.3	+24.7%
Order Intake	263.5	284.4	+7.9%	70.4	73.6	+4.5%
Order Backlog (as of end of period)	224.5	237.1	+5.6%	224.5	237.1	+5.6%
EBITDA	14.8	17.8	+20.3%	5.4	5.5	+1.9%
EBITDA Margin	7.7%	7.1%	-	8.2%	6.7%	-
EBITA	11.9	13.9	+16.8%	4.2	4.2	+/-0.0%
EBITA Margin	6.2%	5.6%	-	6.4%	5.1%	-
Employees (as of end of period)	1,193	1,303	+9.2%	1,193	1,303	+9.2%

FEED AND BIOFUEL

Market development

The Third Quarter of 2006 showed good project activity in the animal feed sector in Eastern Europe and South America. The aquatic feed industry also developed favorably, with both marine and freshwater farming showing good investment activity for plant upgrades as well as new plants, especially in Asia, South America, and Europe.

The pet food extrusion industry also showed good project activity during the Third Quarter, mainly in Europe and Latin America.

The market for wood pelleting equipment continued its strong development during the reporting period. High project activity was seen in North America, Europe, and Russia.

Business development

The Feed and Biofuel Business Area continued its positive business development during the Third Quarter of 2006. Sales grew organically by 26.5%, to 29.6 MEUR (Q3 2005: 23.4 MEUR). EBITA, at 2.9 MEUR, was also significantly higher than during the same period of last year (Q3 2005: 1.6 MEUR).

For the First Three Quarters of 2006, Sales increased by 26.7%, to 84.4 MEUR (Q1-Q3 2005: 66.6 MEUR). EBITA was 7.3 MEUR (Q1-Q3 2005: 4.9 MEUR).

Order Intake during the Third Quarter of 2006 surged to 31.6 MEUR, increasing 23.0% as compared to Q3 2005 (25.7 MEUR). Aquatic feed extrusion lines and wood pelleting systems were the main contributors to this strong organic growth.

During the First Three Quarters of 2006, Order Intake amounted to 99.5 MEUR, which is an increase of 32.8% as compared to the reference period of last year (Q1-Q3 2005: 74.9 MEUR).

Major orders

The Business Area was awarded a number of orders for process lines for animal feed, mainly in Eastern Europe.

Several orders for aquatic feed extrusion lines were won in Asia, the Mediterranean region, and South America.

Orders for plant expansions, as well as new process lines for the production of wood pellets, were received from customers in North America and Europe.

Key figures Feed and Biofuel

(in MEUR)	Q1-Q3 2005	Q1-Q3 2006	Change	Q3 2005	Q3 2006	Change
Sales	66.6	84.4	+26.7%	23.4	29.6	+26.5%
Order Intake	74.9	99.5	+32.8%	25.7	31.6	+23.0%
Order Backlog (as of end of period)	24.3	38.7	+59.3%	24.3	38.7	+59.3%
EBITDA	6.9	8.9	+29.0%	2.3	3.3	+43.5%
EBITDA-Margin	10.4%	10.5%	-	9.8%	11.1%	-
EBITA	4.9	7.3	+49.0%	1.6	2.9	+81.2%
EBITA-Margin	7.4%	8.6%	-	6.8%	9.8%	-
Employees (as of end of period)	484	531	+9.7%	484	531	+9.7%

HYDRO POWER

Market development

During the reporting period, project activity for hydropower plant equipment was very active. In China and India, several projects for installation of new hydropower plants are underway due to the continued strong increase in electricity demand.

In Europe and North America, due to the aging installed capacities, investments focused primarily on modernization and capacity expansion projects. In addition, the demand for pump storage power stations to secure grid stability, especially in Austria and Norway, has increased.

Demand for centrifugal pumps, especially in China, remained very high during the reporting period. With its successful joint venture Andritz-Kenflo, Andritz is the clear market leader for centrifugal pumps in China.

Business development

Note: Andritz VA TECH HYDRO was consolidated into the financial accounts of the Andritz Group for the first time in Q3 2006. For the reference periods of last year, no pro-forma figures are available.

Sales of the Business Area for the Third Quarter of 2006 amounted to 183.3 MEUR, of which 160.8 MEUR came from first-time consolidated VA TECH HYDRO. Excluding VA TECH HYDRO, Sales of the Business Area would have been 22.5 MEUR, significantly up compared to the Third Quarter of 2005 (14.9 MEUR). This is mainly due to the continued positive development of Andritz's pumps business. Sales of the Business Area for the First Three Quarters of 2006 were 214.8 MEUR.

EBITA of the Business Area for the Third Quarter of 2006 was 7.7 MEUR, the profitability (EBITA margin) amounted to 4.2%. Profitability of VA TECH HYDRO developed as planned and amounted to approximately 3.6% during the Third Quarter of 2006. For the First Three Quarters of 2006, EBITA of the Business Area reached 10.1 MEUR.

Integration of acquired VA TECH HYDRO, which focuses on markets, products, and organizational cross functions, is progressing as planned.

Order Intake of the Business Area for the Third Quarter of 2006 amounted to 183.7 MEUR, of which 150.1 MEUR resulted from the first-time inclusion of Andritz VA TECH HYDRO. All Divisions of the Business Area – Large Hydro, Compact Hydro, Hydro Services, Generator Turbo, and Pumps – showed a very solid and satisfactory development. Order Intake of the Business Area for the First Three Quarters of 2006 was 234.0 MEUR.

Key figures Hydro Power^{*)}

(in MEUR)	Q1-Q3 2005	Q1-Q3 2006	Change	Q3 2005	Q3 2006	Change
Sales	36.8	214.8	+483.7%	14.9	183.3	+1,130.2%
Order Intake	44.0	234.0	+431.8%	8.9	183.7	+1,964.0%
Order Backlog (as of end of period)	47.8	1,538.4	+3,118.4%	47.8	1,538.4	+3,118.4%
EBITDA	3.9	16.1	+312.8%	2.2	12.5	+468.2%
EBITDA Margin	10.6%	7.5%	-	14.8%	6.8%	-
EBITA	2.3	10.1	+339.1%	1.7	7.7	+352.9%
EBITA Margin	6.3%	4.7%	-	11.4%	4.2%	-
Employees (as of end of period)	454	3,604	+693.8%	454	3,604	+693.8%

^{*)} Andritz VA TECH HYDRO was consolidated into the financial accounts of the Andritz Group for the first time in Q3 2006. For the reference periods of last year, no pro-forma figures are available.

Major orders

Ethiopian state utility Ethiopian Electric Power Corporation (EEPCO) – through its turnkey contractor Salini Costruttori s.p.a. – placed an order to supply four 115 MW Francis turbines. The hydropower plant at the Beles River will be the largest hydropower station in Ethiopia. This order once again confirms the successful partnership between EEPCO and Andritz VA TECH HYDRO, which has lasted for more than 40 years.

The Business Area signed a contract with Nacionalna Električna Kompanija EAD, Bulgaria for the refurbishment of the Dolna Arda hydropower plant cascade. The project involves the renovation of three power plants with a total of 11 units and an output of 270 MW and the installation of one new unit. A decisive factor for the award was Andritz VA TECH HYDRO's global experience in hydropower plant refurbishments and, in particular, the numerous projects already realized in Bulgaria.

After the Tsankov Kamak hydropower plant, which is currently under construction, Dolna Arda is the second project realized between Austria and Bulgaria based on the stipulations of the Kyoto Protocol. The emission certificates generated will be allotted to Austria's Kyoto targets.

Austrian Hydro Power AHP ordered the penstocks and the motor generators (2x270 MVA) including electrical equipment such as excitation systems and frequency converters for the Limberg II pump storage power station, Austria. Limberg II is the underground extension of the existing storage power station Kaprun with two additional pump turbines and motor generator units, thus more than doubling the installed capacity.

Karnataka Power Corporation Ltd., India awarded the contract for Stage II of the Varahi underground power plant, comprising the installation of two 115 MW Pelton turbines, generators, automation system, and a complete balance of the plant. This order confirms the strong market position of Andritz VA TECH HYDRO in India.

The state utility CADAPE, Venezuela signed a contract with Andritz VA TECH HYDRO for the modernization of the Pena Larga hydropower station. Besides the installation of two new 20 MW Francis turbine runners, the complete automation system, the turbine governors, the electrical excitation, and protection system will be replaced by state-of-the-art technology and a modern online monitoring and diagnostic system.

In the Pumps Division, another large order for the supply of four large-scale pumps for cooling water was won in China, thus confirming Andritz's strong position in this region.

OUTLOOK

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.

For the coming Quarters, Andritz expects its relevant markets to continue to develop favorably. Assuming an overall positive development of the global economy, project activity should remain on a solid level in all Business Areas.

For **Pulp and Paper**, investments are expected to remain concentrated on South America, Australia, and Asia, where one or the other greenfield pulp mill and several 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 and Europe, with some projects also coming up in North America. Project activity will increasingly shift from big lines for carbon steel and stainless steel to specialized production equipment and plants for high-quality stainless steel and carbon steel. Increased project activity is expected for India.

For **Environment and Process**, high project activity for both sludge dewatering and drying equipment should continue. Increasingly 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.

For the **Hydro Power** Business Area, project activity is expected to develop positively, mainly driven by the continuous growth of the global power generation market with hydropower as the most important source of renewable energy for electricity generation. In Asia and South America, investments should focus on the construction of new hydropower stations. Due to the ageing installed capacities in North America and Europe, several modernization and capacity expansion projects are under way in these regions. In addition, the demand for pump storage power stations in Europe to secure grid stability has increased.

Based on strong organic growth and the first-time consolidation of Andritz VA TECH HYDRO from Q3 2006, Andritz expects Group Sales in 2006 to increase significantly, to approximately 2.5 billion Euros (2005: 1,744 MEUR). Correspondingly the Group's EBIT in 2006 will also be up as compared to last year; however the increase will not fully meet the Sales growth, mostly due to the first-time consolidation of Andritz VA TECH HYDRO.

As a result of the high Order Backlog and the full-year consolidation of Andritz VA TECH HYDRO, Andritz expects Group Sales for the full year of 2007 to approach 3 billion Euros. In step with the Sales increase, Earnings of the Group are also expected to increase compared to 2006.

INTERIM CONSOLIDATED INCOME STATEMENT

for the First Three Quarters of 2006 (unaudited) and
the First Three Quarters of 2005 (unaudited)

	Q1-Q3 2006 (in TEUR)	Q1-Q3 2005 (in TEUR)	Q3 2006 (in TEUR)	Q3 2005 (in TEUR)
Sales	1,702,622	1,204,007	735,153	426,458
Changes in inventories of finished goods and work in progress	57,758	58,671	12,755	13,637
Capitalized cost of self-constructed assets	1,589	70	1,110	54
	1,761,969	1,262,748	749,018	440,149
Other operating income	26,006	13,307	14,348	4,242
Cost of materials	(1,055,737)	(762,540)	(434,070)	(266,450)
Personnel expenses	(360,368)	(264,035)	(159,720)	(90,332)
Other operating expenses	(249,184)	(159,108)	(117,069)	(53,911)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	122,686	90,372	52,507	33,698
Depreciation and amortization (without amortization of goodwill)	(23,029)	(17,591)	(10,525)	(6,163)
Earnings before interest, taxes and amortization of goodwill (EBITA)	99,657	72,781	41,982	27,535
Earnings before interest and taxes (EBIT)	99,657	72,781	41,982	27,535
Income/Expenses from associated companies	803	193	218	74
Interest result	874	1,362	(989)	541
Other income from financing activities	57	45	292	45
Financial results	1,734	1,600	(479)	660
Earnings before taxes (EBT)	101,391	74,381	41,503	28,195
Income taxes	(31,056)	(17,063)	(12,527)	(3,759)
Net income	70,335	57,318	28,976	24,436
Thereof attributable to:				
Shareholders of the parent company	68,168	56,187	28,233	23,931
Minority interests	2,167	1,131	743	505
Weighted average number of non par value shares	12,802,674	12,849,909	12,837,276	12,806,370
Earnings per non par value share (in EUR)	5.32	4.37	2.20	1.87
Effect of potential dilution of share options	91,199	87,047	93,011	82,249
Weighted average number of non par value shares and share options	12,893,873	12,936,956	12,930,287	12,888,619
Diluted Earnings per non par value share (in EUR)	5.29	4.34	2.18	1.86

CONSOLIDATED BALANCE SHEET

as of September 30, 2006 (unaudited) and
as of December 31, 2005

	30.09.2006 (in TEUR)	31.12.2005 (in TEUR)
Assets		
Intangible assets	51,781	8,745
Goodwill	197,081	120,683
Property, plant and equipment	233,278	140,538
Shares in associated companies	5,773	2,319
Investments	32,162	13,828
Fixed and financial assets	520,075	286,113
Deferred tax assets	44,293	21,845
Inventories	231,194	198,788
Advance payments made	41,346	21,265
Trade accounts receivable	307,943	237,180
Cost and earnings of projects under construction in excess of billings	318,882	80,532
Other receivables	93,823	46,148
Prepayments and deferred charges	11,653	5,378
Marketable securities	44,127	75,257
Cash and cash equivalents	525,928	418,785
Current assets	1,574,896	1,083,333
Total assets	2,139,264	1,391,291
Shareholders' equity and liabilities		
Share capital	94,510	94,510
Capital reserves	45,966	45,966
Retained earnings	217,295	179,941
Equity attributable to shareholders of the parent company	357,771	320,417
Minority interests	11,072	8,335
Total shareholders' equity	368,843	328,752
Bonds	300,000	100,000
Bank loans - non current	18,404	6,200
Provisions - non current	166,000	92,105
Obligation under finance leases - non current	841	198
Other liabilities - non current	13,587	284
Non-current liabilities	498,832	198,787
Liabilities for deferred taxes	63,480	45,036
Bank loans - current	20,391	3,361
Obligations under finance leases - current	405	384
Bills of exchange payable	583	0
Trade accounts payable	229,303	151,398
Billings in excess of cost and earnings of projects under construction	366,573	250,609
Advance payments received	83,718	103,827
Provisions - current	164,359	97,773
Liabilities for current taxes	27,573	20,643
Other liabilities - current	315,204	190,721
Current liabilities	1,208,109	818,716
Total Shareholders' equity and liabilities	2,139,264	1,391,291

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

for the First Three Quarters of 2006 (unaudited) and the First Three Quarters of 2005 (unaudited)

(in TEUR)	Attributable to shareholders of the parent company					Minority interests	Total shareholders' equity
	Share capital	Capital reserves	Other retained earnings	Currency translation adjustments	Total		
Status as at 1 January 2005	94,510	45,966	164,307	(34,871)	269,912	7,169	277,081
Net income			56,187		56,187	1,131	57,318
Dividends			(18,013)		(18,013)	(682)	(18,695)
Currency translation adjustments				16,535	16,535	112	16,647
Changes from acquisitions						217	217
Changes concerning own shares			(10,888)		(10,888)		(10,888)
Changes to IAS 39 reserve			(19,913)		(19,913)		(19,913)
Status as at 30 September 2005	94,510	45,966	171,680	(18,336)	293,820	7,947	301,767
Status as at 1 January 2006	94,510	45,966	188,257	(8,316)	320,417	8,335	328,752
Net income			68,168		68,168	2,167	70,335
Dividends			(25,550)		(25,550)	(583)	(26,133)
Currency translation adjustments				(10,511)	(10,511)	(63)	(10,574)
Changes from acquisitions			(3,942)		(3,942)	1,245	(2,697)
Changes concerning own shares			(712)		(712)		(712)
Changes to IAS 39 reserve			9,901		9,901	(29)	9,872
Status as at 30 September 2006	94,510	45,966	236,122	(18,827)	357,771	11,072	368,843

CASH FLOW STATEMENT

for the First Three Quarters of 2006 (unaudited) and
the First Three Quarters of 2005 (unaudited)

Interim Consolidated Cash Flow Statement

	Q1-Q3 2006 (in TEUR)	Q1-Q3 2005 (in TEUR)
Cash flow from operating activities	(35,648)	107,266
Cash flow from investing activities	(40,500)	(40,605)
Cash flow from financing activities	183,291	(29,568)
Change in cash and cash equivalents	107,143	37,094
Cash and cash equivalents at the beginning of the period	418,785	273,939
Cash and cash equivalents at the end of the period	525,928	311,033

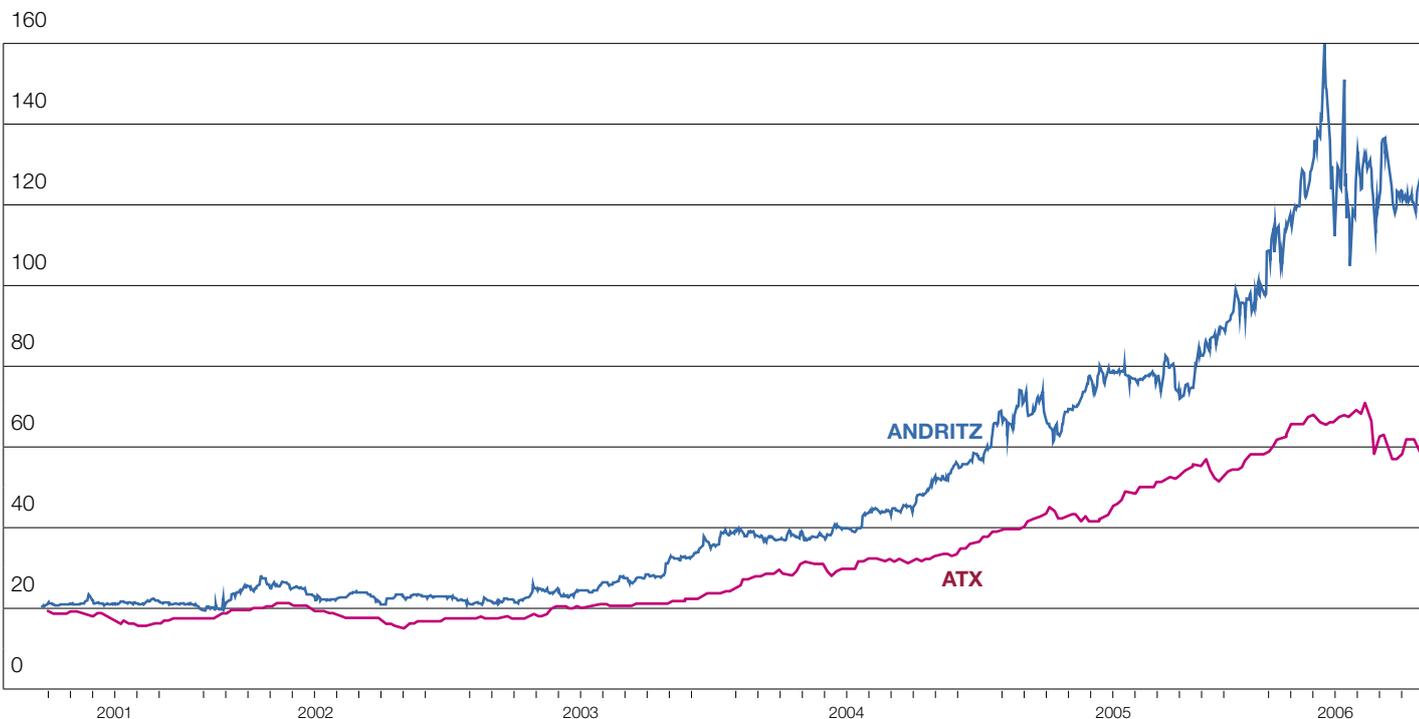
Cash Flows From Acquisition Of Subsidiaries*

(in TEUR)	Business area		Total Q1-Q3 2006	Total Q1-Q3 2005
	Pulp and Paper	Hydro Power		
Cash and cash equivalent	(1,032)	(162,860)	(163,892)	(2,121)
Marketable securities	(673)	0	(673)	0
Receivables	(11,063)	(280,495)	(291,558)	(11,801)
Inventories	(10,630)	(76,222)	(86,852)	(5,366)
Intangible assets	(7,555)	(36,579)	(44,134)	(2,097)
Property, plant and equipment	(18,064)	(71,308)	(89,372)	(8,773)
Financial assets	(1,057)	(15,274)	(16,331)	(27)
Accounts payable and accrued expenses	27,381	512,008	539,389	9,638
Financial debt	5,147	15,297	20,444	5,620
Net assets / liabilities acquired	(17,546)	(115,433)	(132,979)	(14,927)
Cash and cash equivalent	1,032	162,860	163,892	2,121
Goodwill	(6,556)	(71,927)	(78,483)	(7,945)
Changes in minority interests	0	0	0	183
Changes in equity attributable to shareholders of the parent company	0	(3,942)	(3,942)	0
Net cash flow	(23,070)	(28,442)	(51,512)	(20,568)

* Converted by exchange rates as per dates of transaction

ANDRITZ SHARE

Share price performance of the Andritz share vs. ATX since the IPO



Share price development

During the First Three Quarters of 2006, the Andritz share price increased by 28.0%. With this development, the Andritz shares significantly outperformed the ATX, which increased by 5.0% during the same period. The highest closing price during the reporting period was 160.50 Euros (May 8, 2006), the lowest 92.50 Euros (January 18, 2006).

Trading volume

The average daily trading volume during the First Three Quarters of 2006 was 88,426 shares (Q1-Q3 2005: 88,092 shares). The highest trading volume was 415,736 shares (June 13, 2006), the lowest 9,500 shares (February 15, 2006).

Investor Relations activities

Following the announcement of the results for the First Half of 2006, road shows were held in San Francisco, New York, Boston, San Diego, Los Angeles, London, and Edinburgh. These road shows in total covered more than 50 one-to-one meetings and several group presentations with institutional investors. This year's Andritz Investor Days – held on 11-12 October in Lucerne, Switzerland – focused on newly acquired VA TECH HYDRO.

Key figures for Andritz Shares

	Q1-Q3 2005	Q1-Q3 2006	Q3 2005	Q3 2006
Highest closing price (EUR)	82.98	160.50	82.98	137.00
Lowest closing price (EUR)	56.59	92.50	75.12	113.45
Closing price as of end of period (EUR)	82.98	120.30	82.98	120.30
Market capitalization as of end of period (MEUR)	1,078.7	1,563.9	1,078.7	1,563.9
Performance	+45.5%	+28.0%	+5.4%	-9.5%
ATX weighting as of end of period (%)	1.6385	2.0174	1.6385	2.0174
Average daily number of shares traded	88,092	88,426	68,686	74,114

Source: Vienna Stock Exchange

Andritz Investor Relations received another award

For the fifth time in a row, Andritz received an award for its achievements in Investor Relations. This prize is awarded annually within the framework of the GEWINN fair, an international financial trade fair held in Vienna.

After winning the "Overall Stock Exchange Award" and "Investor Relations Online Award", Andritz was awarded the important "Corporate Govern-

ance Prize 2006", which evaluates compliance with the rules of conduct laid down in the Austrian Corporate Governance Code for responsible company management and control aimed at creating shareholder value. In addition to the qualitative features, "soft facts" such as transparency toward shareholders and other stakeholders, and speed of implementation of the rules of conduct were included in the evaluation.



Goldman Sachs with initial coverage on Andritz

Goldman Sachs, one of the world's leading investment banks, initiated the coverage on Andritz in the middle of October 2006. The 12-month price target was set at 180 EUR. In addition, Andritz was added to the Conviction Buy List of Goldman Sachs. So in total, nine international

banks and investment companies publish research reports on Andritz: Bank Austria/Creditanstalt, Berenberg Bank, Deutsche Bank, Goldman Sachs, Erste Bank, JP Morgan, Kaupthing Sofi, UBS, and Raiffeisen Centrobank.

Financial calendar (preliminary)

Results for the full year 2006	1.3.2007
Annual General Meeting	29.3.2007
Ex Dividend	2.4.2007
Dividend payment	6.4.2007
Results for Q1 2007	7.5.2007
Results for H1 2007	3.8.2007
Results for Q1-Q3 2007	7.11.2007

Further information on planned road shows, participation in investor conferences, etc. can be found on www.andritz.com.

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