



First three Quarters of 2004

**ANDRITZ**

## GENERAL ECONOMIC CONDITIONS

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In the Third Quarter of 2004, the global economic recovery continued the positive development shown during the preceding Quarters.

In the US, the index of leading economic indicators published during the Third Quarter of 2004 pointed to a continued upswing in the economy. According to preliminary figures, Gross Domestic Product (GDP) for the Second Quarter of 2004 grew at an annualized rate of 4.7%. Despite rising crude oil prices, inflation is still moderate. Due to this solid economic development, the Federal Reserve Board (the FED) increased key interest rates by another 50 basis points to 1.75% during the Third Quarter of 2004.

In Euroland, economic development remained moderate once again in the Third Quarter of 2004. GDP in the Second Quarter grew at an annualized rate of 2.0%, only a slight improvement over the First Quarter of 2004. Economic activities were solely driven by exports as domestic demand was rather stagnant.

Sources: OECD, WIFO, OeNB, RZB, Volksbank

## BUSINESS DEVELOPMENT DURING THE FIRST THREE QUARTERS OF 2004

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### Increase in Sales

Andritz Group Sales for the first three Quarters of 2004 were 1,070.3 MEUR, an increase of 23.1% compared to the reference period of last year (Q1–Q3 2003: 869.3 MEUR). The reasons for this positive development were higher work-in-progress for many projects as well as a solid development of the services business. In particular, the Pulp and Paper, Rolling Mills and Strip Processing Lines, and Environment and Process Business Areas were able to increase their Sales substantially compared to last year's reference period.

Bird Machine and NETZSCH, which were not included in last year's consolidated financial statements, achieved Sales of approx. 54.4 MEUR during the first three Quarters of 2004.

Group Sales during the Third Quarter of 2004 were 384.5 MEUR, which is 31.5% above the previous year's reference Quarter (Q3 2003: 292.3 MEUR).

## HIGHLIGHTS

- Continued recovery of global economy
- Substantially higher Sales and Net Income
- Continuation of complementary acquisition strategy

### Order Intake in the Third Quarter of 2004 below very high level of last year; record Order Intake expected for full year 2004

Order Intake in the Third Quarter of 2004 was 292.9 MEUR, which is 130.4 MEUR lower than the reference value of the Third Quarter of last year (Q3 2003: 423.3 MEUR). The main reason for this is that last year's largest order (from Veracel, approx. 180 MEUR) was booked in the Third Quarter, while the current year's largest order (from CMPC, worth more than 320 MEUR) will come into force during the Fourth Quarter. As a result of this large order, Andritz expects Group Order Intake for the full year of 2004 to reach a new record level.

Order Intake for the first three Quarters of 2004 was 1,068.5 MEUR, a slight decline by 2.0% compared to the reference period of last year (Q1–Q3 2003: 1,090.4 MEUR).

Order Intake of Bird and NETZSCH, which were not included in last year's reference figures, amounted to approx. 66.3 MEUR for the first three Quarters of 2004.

Order Backlog as of 30.9.2004 amounted to 1,080.9 MEUR, slightly below the previous year's reference value (30.9.2003: 1,120.5 MEUR). Thus, the Andritz Group has a solid visibility with regards to Sales for the coming months.

### Favorable development of Earnings

Earnings of the Andritz Group developed favorably during the first three Quarters of 2004. As a result of Sales growth and continued cost optimization measures, Earnings Before Interest, Tax, and Amortization of goodwill (EBITA) for the first three Quarters of 2004 increased to 64.4 MEUR, +62.6% compared to the reference period of last year (Q1–Q3 2003: 39.6 MEUR). EBITA margin improved from 4.6% in the first three Quarters of 2003 to 6.0% in the first three Quarters of 2004.

EBITA in Q3 2004 amounted to 23.1 MEUR, improving significantly compared to the reference Quarter of last year (Q3 2003: 15.3 MEUR). This is mainly due to the favorable development of the Pulp and Paper Business Area resulting from the growth of the services business and continued cost cutting measures.

### Increase in EBIT and Net Income

Earnings Before Interest and Taxes (EBIT) increased to 52.4 MEUR (Q1–Q3 2003: 29.2 MEUR). Net Income excl. Minority Interests amounted to 37.7 MEUR (Q1–Q3 2003: 16.5 MEUR).

### Net worth position and balance structure

The balance sheet as of 30.9.2004 shows no major changes in comparison with 31.12.2003 other than the sharp increase in net liquidity (cash and cash equivalents minus interest-bearing financial liabilities), which increased to 149.0 MEUR. This is 32.4% higher than at the end of the previous Quarter (30.6.2004: 112.5 MEUR), and significantly up compared to the end of 2003 (31.12.2003: 55.0 MEUR). The equity ratio as of 30.9.2004 was 23.0% (31.12.2003: 24.0%).

### Effects from changes in exchange rates

During the first three Quarters of 2004, the strength of the Euro against the US dollar reduced Sales by approx. 17.3 MEUR, Order Intake by approx. 16.9 MEUR and EBITA by approx. 0.7 MEUR due to translation.

### Acquisitions

During the reporting period, Andritz continued its strategy to purchase companies with complementary products and technologies by acquiring the Fluid Bed Drying Systems Business Area of VA TECH WABAG and Otto Kaiser GmbH.

Based in Ravensburg, Germany, the globally active Fluid Bed Drying Systems Business Area specializes in the development, production, and erection of plants for granulation and drying of solutions, suspensions, and bulk materials. With this acquisition, Andritz further completes its drying technology product portfolio for environmental and industrial processes, enabling it to offer its customers a broad range of systems for various drying applications.

In September 2004, Andritz purchased certain assets and know-how of Otto Kaiser GmbH, headquartered in Bretten, Germany, a manufacturer of high-performance mechanical presses for the processing of steel strip into metal punching and forming parts. The acquisition of the assets of Otto Kaiser enables Andritz to extend its range of products for the Rolling Mills and Strip Processing Lines Business Area to machinery and equipment for the “downstream“ area of strip finishing. The forming and cutting presses offered by Kaiser are mainly used in the automotive supplier industry, supplementing strip slitters, cut-to-length equipment, as well as integrated cutting lines for tailored blanks that are currently offered by Andritz.

## KEY FIGURES FOR THE FIRST THREE QUARTERS OF 2004 (IFRS)

(in MEUR)	Q1–Q3 2003	Q1–Q3 2004	Change	Q3 2003	Q3 2004	Change
<b>Sales</b>	869.3	1,070.3	+23.1%	292.3	384.5	+31.5%
<b>Order Intake</b>	1,090.4	1,068.5	-2.0%	423.3	292.9	-30.8%
<b>Order Backlog (as of end of period)</b>	1,120.5	1,080.9	-3.5%	1,120.5	1,080.9	-3.5%
<b>EBITDA<sup>1)</sup></b>	55.0	80.8	+46.9%	20.1	28.8	+43.3%
<b>EBITDA Margin</b>	6.3%	7.5%	-	6.9%	7.5%	-
<b>EBITA<sup>2)</sup></b>	39.6	64.4	+62.6%	15.3	23.1	+51.0%
<b>EBITA Margin</b>	4.6%	6.0%	-	5.2%	6.0%	-
<b>Earnings before Interest and Taxes (EBIT)</b>	29.2	52.4	+79.5%	11.8	19.4	+64.4%
<b>Earnings before Taxes</b>	30.1	52.6	+74.8%	12.0	19.9	+65.8%
<b>Net Income excl. Minority Interests</b>	16.5	37.7	+128.5%	6.7	12.2	+82.1%
<b>Cash flow from Operating Activities</b>	16.2	130.6	+706.2%	-25.0	40.1	+260.4%
<b>Capital Expenditure<sup>3)</sup></b>	12.4	9.0	-27.4%	6.7	3.3	-50.7%
<b>Employees (as of end of period)</b>	4,508	5,137	+14.0%	4,508	5,137	+14.0%

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

### KEY FIGURES (IFRS)

(in MEUR)	Q1–Q3 2003	Q1–Q3 2004	Change	Q3 2003	Q3 2004	Change
<b>Sales</b>	571.0	649.8	+13.8%	193.4	225.1	+16.4%
<b>Order Intake</b>	654.3	627.4	-4.1%	281.6	150.6	-46.5%
<b>Order Backlog</b> (as of end of period)	659.9	589.5	-10.7%	659.9	589.5	-10.7%
<b>EBITDA</b>	42.2	53.8	+27.5%	14.9	19.7	+32.2%
<b>EBITDA margin</b>	7.4%	8.3%	-	7.7%	8.8%	-
<b>EBITA</b>	32.7	44.1	+34.9%	11.9	16.3	+37.0%
<b>EBITA margin</b>	5.7%	6.8%	-	6.2%	7.2%	-

### MARKET DEVELOPMENT

The international pulp market weakened somewhat during the Third Quarter of 2004. As a result of slight oversupply and seasonal temporary mill shutdowns at various paper manufacturers, the price for NBSK (Northern Bleached Softwood Kraft Pulp) decreased from 650 US dollars at the end of June 2004 to approx. 620 US dollars at the end of September 2004. Capacity utilization of international pulp producers remained at a high level. Project activity continued at a satisfactory level, with investments and projects primarily focused on the Southern hemisphere.

In step with NBSK, the prices for short-fiber pulp (birch and eucalyptus) also decreased due to temporary oversupply.

### BUSINESS DEVELOPMENT

Sales of the Business Area for the first three Quarters of 2004 amounted to 649.8 MEUR, increasing 13.8% compared to the reference period of last year (Q1–Q3 2003: 571.0 MEUR). This development was mainly due to higher work-in-progress for many projects and the growth of the services business.

The Business Area's Sales in the Third Quarter of 2004 were 225.1 MEUR, an increase of 16.4% compared to the reference Quarter of last year (Q3 2003: 193.4 MEUR).

Earnings and Profitability of the Business Area developed very favorably. As a result of increased Sales and continued cost optimization measures, EBITA increased by 34.9% to 44.1 MEUR for the first three Quarters of 2004 (Q1–Q3 2003: 32.7 MEUR). Profitability expressed

as EBITA margin increased considerably, from 5.7% in the first three Quarters of 2003 to 6.8% for the first three Quarters of 2004.

Andritz chemical recovery systems were successfully started up in July at Mercer's Zellstoff Stendal mill, a greenfield Kraft pulp mill in the Saxony region of Germany. Andritz supplied the black liquor evaporation plant, the chemical recovery boiler, and a complete recausticizing system for the production of white liquor. The Stendal mill is fulfilling the most stringent environmental requirements.

In August, the Recovery Division started up a rebuilt evaporation plant, and a new chemical recovery boiler at Neusiedler's Ruzomberok mill (Slovakia). A new evaporation plant for Mondi Paper's Richards Bay mill (Republic of South Africa) started up in September.

With the expansion of its office in Santiago and the opening of a new office in Concepcion, Andritz strengthens its capital sales, project management, and service support in Chile.

The Fiberline Division started up three sawdust digesters in Canada, China, and Finland during the reporting period. The deliveries in China and Finland also included screen rooms and Drum Displacer™ (DD) Washers.

The Fiber Preparation Systems Division completed two significant projects during the Third Quarter of 2004. The rebuild of a deinking line for P.T. Aspex (Indonesia), including the start-up of a new SelectaFlot™ flotation system, was completed. UPM-Kymmene (UK) Shot-ton Paper started up its new Andritz FibreFlow® Drum, coarse screening, and the world's largest dispersing system from Andritz.

The Mechanical Pulping Systems Division completed the HC Bleach Plant for MD Plattling in Germany. A total of eight Panelboard systems were started up in China for various producers, as well as one in Iran, and one in Turkey.

The Pulp Mill Services Division started up several HQ Plus™ chipper knife systems in wood processing operations.

For the Paper Mill Services Division, the first mill trial of new conical refiner plates was very successful. Plate life is excellent (3,350 operating hours) as is the pulp quality. The automation group in the Division has demonstrated extremely attractive economic payback for the new Plate Protection System after testing the system with several

customers. All mechanical pulping lines in the world can utilize this system.

The Business Area's Order Intake during the first three Quarters of 2004 amounted to 627.4 MEUR, a slight decline of 4.1% compared to the reference period of last year (Q1–Q3 2003: 654.3 MEUR). This decrease is mainly due to the receipt of a major order from Veracel in the Third Quarter of last year. As a consequence, Order Intake in Q3 2004, at 150.6 MEUR, is also significantly lower than in the reference Quarter of last year (Q3 2003: 281.6 MEUR). However, as the large order from CMPC will be booked in the Fourth Quarter of 2004, the Business Area's Order Intake for the full year of 2004 will reach a new record level.

## MAJOR ORDERS

- Andritz was selected by CMPC Celulosa S.A., a subsidiary of Empresas CMPC S.A., Chile, to supply a complete fiberline, recovery boiler, and white liquor production plant for the new Santa Fe Line 2 Pulp Project in Chile. Andritz will provide the systems for pulp production, pulp drying and baling, and systems for black liquor combustion and white liquor production. All systems will be delivered on an EPC basis, with a total value of approx. 400 million US dollars. In addition, CMPC also ordered two high-efficiency multi-stage DD washers and oxygen delignification equipment from Andritz for their Laja mill. The contract will be put in force during the Fourth Quarter of 2004.
- The Chemical Systems Division was selected to modernize the lime kiln at Stora Billerud AB's mill in Skärblacka (Sweden).
- Recent orders placed with the Recovery Division include an upgrade to the evaporation plant and recovery boiler at VCP's Luiz Antonio Mill (Brazil), a new recovery boiler for Weyerhaeuser Company for the Valliant, OK mill (US), and a recovery boiler retrofit for Metsä-Botnia's Kaskinen (Finland) mill.
- The Wood Processing Division received several woodroom orders in China, Russia, South America, and Europe. Also, woodroom crane orders have been placed with Andritz in North America.
- The Tissue Machines Division received an order from ICT Iberica in Pozuelo de Alarcón, Spain for a new CrescentFormer tissue machine, including the stock preparation system. This is the second tissue machine order from the ICT group, based in Italy.
- The Fiber Preparation Systems Division received major orders for deinking systems from Perlen Paper in Switzerland and UPM-Kymmene in Finland. Andritz will rebuild and extend the existing deinked pulp line at Perlen. The order includes the supply of new process equipment and systems, as well as the complete engineering package for the rebuild. The project at UPM's Kaipola (Finland) mill also includes a new FibreFlow® Drum pulper and screening systems. Several new FibreFlow® Drum pulpers were ordered during the Third Quarter of 2004. The Division also booked orders for stock preparation and machine approach systems from Norske Skog (Australia) and Pan Asia (Korea) for their Chinese mills.
- The Mechanical Pulping Systems Division sold refiner systems to Norske Skog in Brazil and a complete RTS line in Germany. A contract for a mechanical pulping line using Andritz's RTS technology was signed with Kondopoga (Russia), as well as a contract for a PR-C APMP line with Zhongmao (China).
- A sheet drying system (fiberboard former) was sold to Pavatex in Switzerland.
- In the Panelboard market, Andritz MDF refining systems were ordered by plants in Austria (M. Kaindl) and China (Baoyuan and Shandong Qixing Panel Board).
- For the Pulp Mill Services Division, the overall demand for recovery boiler and fiberline upgrades continued at a strong level. Examples include the recovery boiler upgrade for Georgia-Pacific, a drum washer upgrade for Smurfit-Stone in the US, and an air system upgrade for the boiler at Visy Pulp & Paper in Tumut, Australia. The Division also booked the first order in the US for a new design digester screen upgrade and an upgrade of the displacement washers at MeadWestvaco's mill in Wickliffe, KY.
- The Paper Mill Services Division booked orders for the rebuild of an approach system for APP-Ningbo in China, screen baskets for Nine Dragon Paper in China, the rebuild of pulp screening equipment for Frantschach Syktyvkar in Russia, and the rebuild of screening systems for Siam Kraft in Thailand.

## ROLLING MILLS AND STRIP PROCESSING LINES

### KEY FIGURES (IFRS)

(in MEUR)	Q1–Q3 2003	Q1–Q3 2004	Change	Q3 2003	Q3 2004	Change
<b>Sales</b>	134.1	175.9	+31.2%	41.7	64.0	+53.5%
<b>Order Intake</b>	249.2	199.9	-19.8%	78.5	71.6	-8.8%
<b>Order Backlog</b> (as of end of period)	279.4	289.0	+3.4%	279.4	289.0	+3.4%
<b>EBITDA</b>	3.0	9.7	+223.3%	2.0	2.8	+40.0%
<b>EBITDA margin</b>	2.2%	5.5%	-	4.8%	4.4%	-
<b>EBITA</b>	1.5	8.3	+453.3%	1.5	2.4	+60.0%
<b>EBITA margin</b>	1.1%	4.7%	-	3.6%	3.8%	-

### MARKET DEVELOPMENT

In the Third Quarter of 2004, demand for steel and stainless steel products remained at the very high level shown in the previous Quarters, mainly due to continued demand in China. Prices for cold-rolled steel and stainless products increased further during the reporting period and additional price increases have been announced for 2005. Project activity was concentrated on China (including Taiwanese and Korean investments in China). Andritz was able to secure several large orders in China, especially in the stainless steel area, thus confirming its leading market position in this region. In North America and Europe, only selective investments were made.

According to recent studies and forecasts of respected market researchers, the high project activity in China is expected to continue in 2005.

### BUSINESS DEVELOPMENT

Sales of the Business Area amounted to 175.9 MEUR in the first three Quarters of 2004, an increase of 31.2% compared to the reference period of last year (Q1–Q3 2003: 134.1 MEUR). Sales in the Third Quarter of 2004, at 64.0 MEUR, increased by 53.5% compared to the reference Quarter of last year (Q3 2003: 41.7 MEUR). This is mainly due to higher work-in-progress for many projects as a result of the increased Order Backlog.

Earnings during the reporting period also developed very favorably compared to the reference period of last year, which was affected by a temporary capacity under-utilization in one of the Business Area's product segments.

EBITA improved to 8.3 MEUR for the first three Quarters of 2004 (Q1–Q3 2003: 1.5 MEUR). As a result of increased Sales, EBITA in the Third Quarter of 2004 improved to 2.4 MEUR (Q3 2003: 1.5 MEUR).

The Business Area's Order Intake during the reporting period was 199.9 MEUR (Q1–Q3 2003: 249.2 MEUR). This decline compared to the reference period of last year was mainly due to the receipt of a very large order in Q1 2003. Order Intake in Q3 2004 was 71.6 MEUR, a decline of 8.8% compared to Q3 2003 (78.5 MEUR).

Pohang Iron & Steel Co. Ltd., Korea successfully started up an acid recovery plant (nominal capacity 4,500 l/h) using the second generation of the Andritz Pyromars system. The plant serves the annealing and pickling lines of Pohang's stainless steel plant (third phase) with an annual capacity of 420,000 t by recovering the waste mixed acid.

SKS (Shanghai Krupp Stainless) successfully started their new 20-high cold rolling mill delivered by Andritz subsidiary Sundwig GmbH. This means an increase of cold rolling capacity of nearly 100,000 t/yr.

### MAJOR ORDERS

- Andritz received an order from Shanghai Krupp Stainless (SKS), a joint venture of ThyssenKrupp Stainless and Shanghai Pudong Iron & Steel Company Ltd. (subsidiary of Baosteel Group), to supply a hot-strip annealing and pickling line. The line will have an annual production capacity of approx. 440,000 t. The mechanical equipment will be supplied by Sundwig GmbH, Hemer, Germany, the thermal equipment by Thermtec BV, Rotterdam, Netherlands, and the pickling line by Andritz AG, Vienna, Austria. Equipment delivery is scheduled for the end of 2005. Production of the first strip is planned for the summer of 2006.
- Andritz also received a large follow-up order from Lianzhong Stainless Steel, a member of Taiwanese Yieh Group, for the extension of the new stainless steel mill in Guangzhou, China. In 2003, Andritz had received an order to build the world's largest stainless steel hot strip annealing and pickling line for the same customer and that project is currently underway. The recent order relates to a stainless steel cold strip annealing and pickling line with a capacity of approx. 250,000 t/yr. The Andritz Group will be responsible for engineering, a large part of the equipment supplies, supervision of installation, and start-up of the cold strip annealing and pickling line. Delivery is scheduled for August 2005, with production of the first strip expected in July 2006.

- Andritz Private Technologies Ltd., an Indian subsidiary of Andritz, received an order from a Kenyan company, Mabati Rolling Mills Ltd., for a regeneration plant with a capacity of 1,500 l/h waste acid.
- TISCO in China placed an order for two recoiling lines with a capacity of 150,000 t/yr each. The lines are designed for a max. strip width of 1,300 mm and a thickness range of 0.3–3.0 mm. In addition to the mechanical equipment, Andritz-Sundwig will also supply the complete electrical system.
- TISCO also placed an additional order for a high-performance continuous tension levelling line. This line is equipped with an entry and exit looper and is also suitable for bright annealed strips. It is designed for an output of more than 200,000 t/yr. In addition to the mechanical equipment, Andritz-Sundwig will also supply the complete electrical system.

## ENVIRONMENT AND PROCESS

### KEY FIGURES (IFRS)

(in MEUR)	Q1–Q3 2003	Q1–Q3 2004	Change	Q3 2003	Q3 2004	Change
<b>Sales</b>	69.7	141.9	+103.6%	26.5	57.3	+116.2%
<b>Order Intake</b>	76.4	136.2	+78.3%	29.2	42.1	+44.2%
<b>Order Backlog</b> (as of end of period)	121.3	148.9	+22.8%	121.3	148.9	+22.8%
<b>EBITDA</b>	0.2	8.5	+4,150.0%	0.8	3.9	+387.5%
<b>EBITDA margin</b>	0.3%	6.0%	-	3.0%	6.8%	-
<b>EBITA</b>	-1.4	6.7	+578.6%	0.2	3.2	+1,500.0%
<b>EBITA margin</b>	neg.	4.7%	-	0.8%	5.6%	-

### MARKET DEVELOPMENT

During the reporting period, the market for sewage sludge treatment remained at an acceptable level. While the centrifuge market developed satisfactorily, the market for thermal sludge treatment systems was very slow as in the previous Quarters. Project activity in Central and Eastern Europe is gradually picking up.

The market for industrial applications showed very brisk development, with the exception of North America, where investment activity remains moderate.

### BUSINESS DEVELOPMENT

The Business Area's Sales in the first three Quarters of 2004 increased significantly, to 141.9 MEUR (Q1–Q3 2003: 69.7 MEUR). This favorable development is due to the first-time consolidation of Bird Machine and NETZSCH, higher work-in-progress for some projects and increased Sales in the services business. Sales in the Third Quarter of 2004 were 57.3 MEUR, up significantly compared to the reference Quarter of last year (Q3 2003: 26.5 MEUR) and also higher than the previous Quarter (Q2 2004: 45.0 MEUR).

As a result of the significantly increased Sales and the satisfactory development of newly acquired Bird Machine, EBITA went up from –1.4 MEUR in the first three Quarters of 2003 to 6.7 MEUR in the first three Quarters of 2004. EBITA margin improved significantly, to 4.7% for the first three Quarters of 2004.

Order Intake during the first three Quarters of 2004 amounted to 136.2 MEUR, an increase of 78.3% compared to the reference period of last year (Q1–Q3 2003: 76.4 MEUR). This significant increase is mainly due to the consolidation of Bird Machine and NETZSCH, which were not included in the reference period of last year. At 42.1 MEUR, Order Intake in Q3 2004 also improved significantly in comparison with the reference period of last year (Q3 2003: 29.2 MEUR). Compared to the previous Quarter (Q2 2004: 37.0 MEUR), Order Intake grew by 13.8%.

The organizational integration of the NETZSCH Filtration Business Unit, which was acquired in June 2004, has started. The NETZSCH Filtration organizations in South East Asia and South America will be used to manufacture, sell, and distribute other Andritz dewatering products in these markets.

The acquisition of VA Tech WABAG's Fluid Bed Drying Systems Business Area will enhance the Business Area's market position for industrial drying applications and further complete its product and process know-how.

### MAJOR ORDERS

- The aftermarket for centrifuges has shown a very positive development. Long-term maintenance and service contracts were obtained for large centrifuge installations, like for the City of Singapore, the City of New York, and for Haliburton.

■ Bookings for industrial centrifuges and filter presses also developed very favorably. Large orders were received from China Petroleum (three large centrifuges), from Formosa Plastic (six centrifuges) and from NCIC/Egypt (four filter presses).

■ Andritz sold the first sludge dryer in South Korea and received pre-engineering orders from customers in France and Germany.

## FEED TECHNOLOGY

### KEY FIGURES (IFRS)

(in MEUR)	Q1–Q3 2003	Q1–Q3 2004	Change	Q3 2003	Q3 2004	Change
<b>Sales</b>	70.1	75.5	+7.7%	21.4	25.1	+17.3%
<b>Order Intake</b>	82.3	68.9	-16.3%	26.8	19.2	-28.4%
<b>Order Backlog</b> (as of end of period)	34.6	17.5	-49.4%	34.6	17.5	-49.4%
<b>EBITDA</b>	4.1	4.5	+9.8%	0.7	0.9	+28.6%
<b>EBITDA margin</b>	5.8%	6.0%	-	3.3%	3.6%	-
<b>EBITA</b>	2.4	2.3	-4.2%	0.4	0.2	-50.0%
<b>EBITA margin</b>	3.4%	3.0%	-	1.9%	0.8%	-

### MARKET DEVELOPMENT

The project activity in Southern and Eastern Europe as well as in North and South America remained at a satisfactory level, however final decisions on investments are being delayed. The animal feed industries in Europe and North America are investing very little in upgrades and new plants.

The Asian animal (poultry) market situation is still unstable after new outbreaks of the avian flu.

The renewable energy market remains active for both waste and wood pelleting in Europe and North America.

### BUSINESS DEVELOPMENT

Despite the moderate market development and negative effects resulting from the increase of the Euro against the US dollar, Sales of the Feed Technology Business Area increased to 75.5 MEUR for the first three Quarters of 2004 (Q1–Q3 2003: 70.1 MEUR). Excluding exchange rate effects, Sales would have been up by 9.9%.

Earnings of the Business Area developed unsatisfactorily. Due to negative translation effects resulting from the strong Euro against the US dollar and additional costs in connection with the start-up of the new, world-class die workshop, EBITA for the first three Quarters dropped to 2.3 MEUR (Q1–Q3 2003: 2.4 MEUR), with Third Quarter EBITA amounting to 0.2 MEUR. For the Fourth Quarter no improvement is expected, so EBITA for the full year of 2004 will be significantly lower than in 2003.

During the Third Quarter of 2004, a large four-line wood pelleting plant was successfully commissioned in Sweden.

Order Intake during the first three Quarters of 2004 developed unsatisfactorily. Due to continued slow market development with only a few large orders placed, Order Intake declined by 16.3% to 68.9 MEUR (Q1–Q3 2003: 82.3 MEUR). However, the inquiry and quotation activity remained at a satisfactory level.

### MAJOR ORDERS

The Business Area secured process line orders, mainly from the renewable energy sector. Additionally, some medium-sized process machine orders including automation for animal feed process line upgrades in South America were booked.

## HYDRAULIC MACHINES / OTHER OPERATIONS

### KEY FIGURES (IFRS)

(in MEUR)	Q1–Q3 2003	Q1–Q3 2004	Change	Q3 2003	Q3 2004	Change
<b>Sales</b>	24.4	27.2	+11.5%	9.3	13.0	+39.8%
<b>Order Intake</b>	28.2	36.1	+28.0%	7.2	9.4	+30.6%
<b>Order Backlog</b> (as of end of period)	25.3	36.0	+42.3%	25.3	36.0	+42.3%
<b>EBITDA</b>	5.5	4.3	-21.8%	1.7	1.5	-11.8%
<b>EBITDA margin</b>	22.5%	15.8%	-	18.3%	11.5%	-
<b>EBITA</b>	4.4	3.0	-31.8%	1.3	1.0	-23.1%
<b>EBITA margin</b>	18.0%	11.0%	-	14.0%	7.7%	-

## MARKET DEVELOPMENT

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The strong project activity for turbines and large-scale pumps continued in Asia, especially in China. Investments by European power generation companies have increased considerably, not only for rebuilds and modernizations, but also for new plants.

In China, the market for stock pumps for pulp and paper applications continued to be very active. With two companies in Foshan, Andritz further strengthened its clear market leader position in this area. In Europe, business opportunities for stock pumps have improved compared to 2003.

## BUSINESS DEVELOPMENT

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Sales of the Hydraulic Machines Business Area increased to 27.2 MEUR for the first three Quarters of 2004 (Q1–Q3 2003: 24.4 MEUR), EBITA decreased to 3.0 MEUR (Q1–Q3 2003: 4.4 MEUR). The decline in Earnings is mainly due to the release of a provision in the reference period of last year.

A total of five hydropower station projects in China are in various phases of order processing. Andritz Technologies Ltd., Foshan, is optimistic to receive the first contract in China for manufacturing water turbine core parts.

After receiving the order for the second large-scale revision of the machine sets in a pump storage plant of E.ON in Germany, further projects in this area are expected.

Order Intake during the reference period developed favorably, increasing to 36.1 MEUR (Q1–Q3 2003: 28.2 MEUR). Order Intake in Q3 2004 was 9.4 MEUR, significantly up compared to Q3 2003 (7.2 MEUR). This is mainly due to the strong development of the Andritz-Kenflo joint venture and the wholly owned Andritz Technologies Ltd. in China as well as several larger orders in the pumps business.

## MAJOR ORDERS

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- Swiss local power supplier NOK ordered a pelton runner and an automation system.
- Ten pumps for flue gas desulphurization systems will be supplied to SHAJAO Thermal Power Plant in southern China.
- Austrian Verbund Hydro Power AG awarded several automation and governor contracts to install new units or to renew existing ones.

## OUTLOOK

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 companies will be one of the key goals for the coming months.

For the full year 2004, Andritz expects favorable business development. The growth rate in Sales achieved during the first three Quarters of 2004 should also apply for the full year of 2004. Profitability for the full year 2004 is also expected to increase compared to 2003, with Group EBITA margin to reach approx. the level achieved for the first three Quarters of 2004. As a consequence, Andritz expects Net Income after minorities to improve by approx. 50% compared to 2003.

### 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.

# INTERIM CONSOLIDATED STATEMENT OF INCOME

FOR THE FIRST THREE QUARTERS OF 2004 AND 2003 (UNAUDITED)

(in TEUR)	Q1–Q3 2004	Q1–Q3 2003	Q3 2004	Q3 2003
<b>Sales</b>	<b>1,070,252</b>	<b>869,297</b>	<b>384,479</b>	<b>292,323</b>
Changes in inventories of finished goods and work in progress	23,579	11,427	4,054	1,878
Capitalized cost of self-constructed assets	1,564	284	844	226
	<b>1,095,395</b>	<b>881,008</b>	<b>389,377</b>	<b>294,427</b>
Other operating income	11,540	8,887	1,034	2,756
Cost of materials	(642,579)	(494,505)	(235,354)	(161,753)
Personnel expenses	(239,555)	(215,457)	(78,173)	(69,099)
Other operating expenses	(144,019)	(124,947)	(48,081)	(46,227)
<b>Earnings before interest, taxes, depreciation, and amortization of goodwill (EBITDA)</b>	<b>80,782</b>	<b>54,986</b>	<b>28,803</b>	<b>20,104</b>
Depreciation and amortization (without amortization of goodwill)	(16,351)	(15,345)	(5,634)	(4,812)
<b>Earnings before interest, taxes and amortization of goodwill (EBITA)</b>	<b>64,431</b>	<b>39,641</b>	<b>23,169</b>	<b>15,292</b>
Amortization of goodwill	(12,054)	(10,406)	(3,797)	(3,501)
<b>Earnings before interest and taxes (EBIT)</b>	<b>52,377</b>	<b>29,235</b>	<b>19,372</b>	<b>11,791</b>
Income/expenses from associated companies	(318)	(265)	(21)	(49)
Interest results	72	1,088	476	264
Other income/expenses from financing activities	463	78	37	3
<b>Financial results</b>	<b>217</b>	<b>901</b>	<b>492</b>	<b>218</b>
<b>Earnings before taxes (EBT)</b>	<b>52,594</b>	<b>30,136</b>	<b>19,864</b>	<b>12,009</b>
Income taxes	(13,981)	(12,625)	(7,403)	(4,984)
<b>Net income</b>	<b>38,613</b>	<b>17,511</b>	<b>12,461</b>	<b>7,025</b>
Share of profit/loss due to minority interests	(955)	(1,041)	(263)	(373)
<b>Net income excluding minority interests</b>	<b>37,658</b>	<b>16,470</b>	<b>12,198</b>	<b>6,652</b>
Earnings per non par value share (in EUR)	2.92	1.28	0.94	0.52
Weighted average number of non par value shares	12,904,271	12,872,139	12,926,215	12,868,102

# CONSOLIDATED BALANCE SHEET

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

	30.09.2004	31.12.2003
(in TEUR)		
<b>Assets</b>		
Intangible assets	5,727	4,921
Goodwill	112,409	122,785
Property, plant and equipment	125,800	127,165
Shares in associated companies	3,218	3,022
Investments	12,361	2,340
<b>Fixed and financial assets</b>	<b>259,515</b>	<b>260,233</b>
<b>Deferred tax assets</b>	<b>20,968</b>	<b>18,876</b>
Inventories	156,655	107,714
Advance payments made	24,069	17,334
Trade accounts receivable	202,951	216,702
Cost and earnings of projects under construction in excess of billings	111,222	107,738
Other receivables	62,961	60,510
Prepayments and deferred charges	7,732	4,224
Marketable securities	69,223	52,705
Cash and cash equivalents	198,249	120,876
<b>Current assets</b>	<b>833,062</b>	<b>687,803</b>
<b>Total assets</b>	<b>1,113,545</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	115,110	92,008
<b>Shareholders' equity</b>	<b>255,586</b>	<b>232,484</b>
<b>Minority interests</b>	<b>7,355</b>	<b>6,616</b>
Bonds	100,000	100,000
Bank loans – non current	4,867	4,486
Provisions – non current	83,527	72,969
Obligation under finance leases – non current	663	919
<b>Non-current liabilities</b>	<b>189,057</b>	<b>178,374</b>
<b>Liabilities for deferred taxes</b>	<b>50,816</b>	<b>50,546</b>
Bank loans – current	12,469	11,104
Obligation under finance leases – current	459	484
Bills of exchange	0	1,550
Trade accounts payable	119,193	104,580
Billings in excess of cost and earnings of projects under construction	164,607	107,399
Advance payments received	58,166	30,765
Provisions – current	90,913	77,459
Liabilities for current taxes	10,874	16,670
Other current liabilities	154,050	148,881
<b>Current Liabilities</b>	<b>610,731</b>	<b>498,892</b>
<b>Total Shareholders' equity and liabilities</b>	<b>1,113,545</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			16,470		16,470
Dividend payments			(11,543)		(11,543)
Currency translation adjustments				(9,763)	(9,763)
Purchase of own shares			(1,748)		(1,748)
Changes to IAS 39 reserve			3,855		3,855
<b>Status as at 30 September 2003</b>	<b>94,510</b>	<b>45,966</b>	<b>99,552</b>	<b>(19,820)</b>	<b>220,208</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			37,658		37,658
Dividend payments			(12,889)		(12,889)
Currency translation adjustments				2,378	2,378
Purchase of own shares			1,166		1,166
Changes to IAS 39 reserve			(5,211)		(5,211)
<b>Status as at 30 September 2004</b>	<b>94,510</b>	<b>45,966</b>	<b>140,406</b>	<b>(25,296)</b>	<b>255,586</b>

# INTERIM CONSOLIDATED CASH FLOW STATEMENT

FOR THE FIRST THREE QUARTERS OF 2004 AND 2003 (UNAUDITED)

	Q1-Q3 2004	Q1-Q3 2003
Cash flow from operating activities	130,629	16,171
Cash flow from investing activities <sup>*)</sup>	(40,771)	(54,774)
Cash flow from financing activities	(12,485)	(9,521)
Change in cash and cash equivalents	77,373	(48,124)
Cash and cash equivalents at the beginning of the period <sup>*)</sup>	120,876	188,129
Cash and cash equivalents at the end of the period <sup>*)</sup>	198,249	140,005

\*) Payments made for short-term financial investments were reclassified from cash and cash equivalents.

## ANDRITZ SHARES

### Share price development

During the first three Quarters of 2004, the Andritz share price increased by 22.5% (Q1–Q3 2003: 20.7%). This is in particular attributable to the very favorable development of the share price during the third Quarter of 2004, when it increased 10.6%. With this development, the Andritz shares outperformed the ATX, which increased by 2.2% during the Third Quarter of 2004.

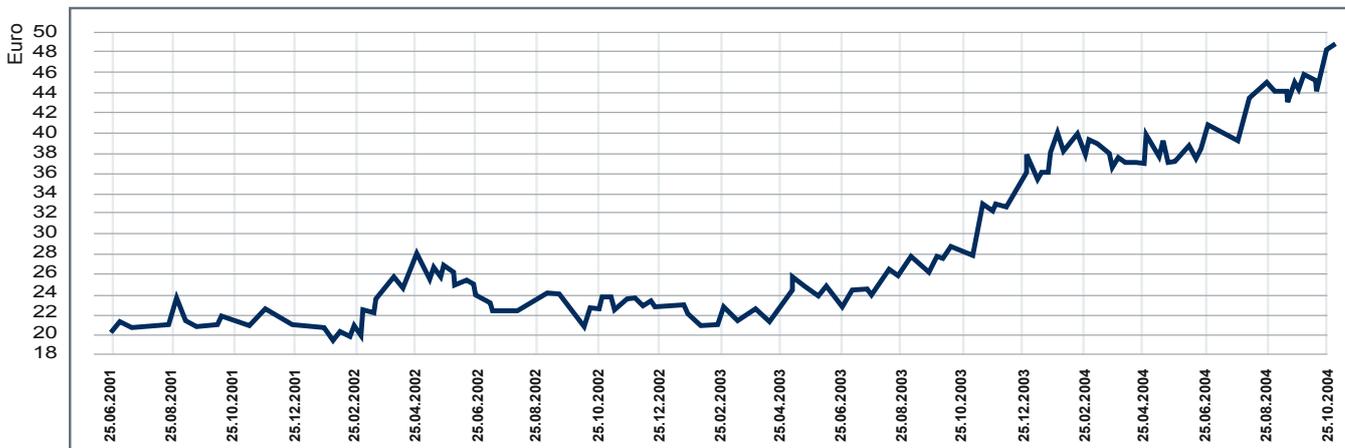
The highest closing price during the period under review was 45.05 Euros (30.9.2004), the lowest 35.00 Euros (8.1.2004).

### Trading volume

The average daily trading volume during the first three Quarters of 2004 was 64,656 shares (Q1–Q3 2003: 41,597 shares).

The highest trading volume was noted on April 23, 2004 (341,628 shares), the lowest trading volume was 3,754 shares (27.5.2004).

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



## KEY FIGURES FOR ANDRITZ SHARES

	Q1–Q3 2003	Q1–Q3 2004	Q3 2003	Q3 2004
Highest price (EUR)	28.02	<b>45.05</b>	28.02	45.05
Lowest price (EUR)	21.00	<b>35.00</b>	23.10	39.00
Closing price at the end of period (EUR)	27.75	<b>45.05</b>	27.75	45.05
Market capitalization at the end of period (MEUR)	360.8	<b>585.7</b>	360.8	585.7
Performance	+20.7%	<b>+22.5%</b>	+18.8%	+10.6%
ATX weighting at end of period (%)	1.9032	<b>1.8395</b>	1.9032	1.8395
Average daily number of shares traded	41,597	<b>64,656</b>	66,237	57,979

## FINANCIAL CALENDAR (PRELIMINARY):

<ul style="list-style-type: none"> <li>■ Roadshow in New York in cooperation with the Vienna Stock Exchange ▶ <b>6 December 2004</b></li> </ul>	<ul style="list-style-type: none"> <li>■ Dividend payment ▶ <b>8 April 2005</b></li> </ul>
<ul style="list-style-type: none"> <li>■ Results for 2004 ▶ <b>3 March 2005</b></li> </ul>	<ul style="list-style-type: none"> <li>■ First Quarter of 2005 ▶ <b>9 May 2005</b></li> </ul>
<ul style="list-style-type: none"> <li>■ Annual General Meeting ▶ <b>30 March 2005</b></li> </ul>	<ul style="list-style-type: none"> <li>■ First Half of 2005 ▶ <b>5 August 2005</b></li> </ul>
<ul style="list-style-type: none"> <li>■ Ex-Dividend ▶ <b>2 April 2005</b></li> </ul>	<ul style="list-style-type: none"> <li>■ First three Quarters of 2005 ▶ <b>8 November 2005</b></li> </ul>

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