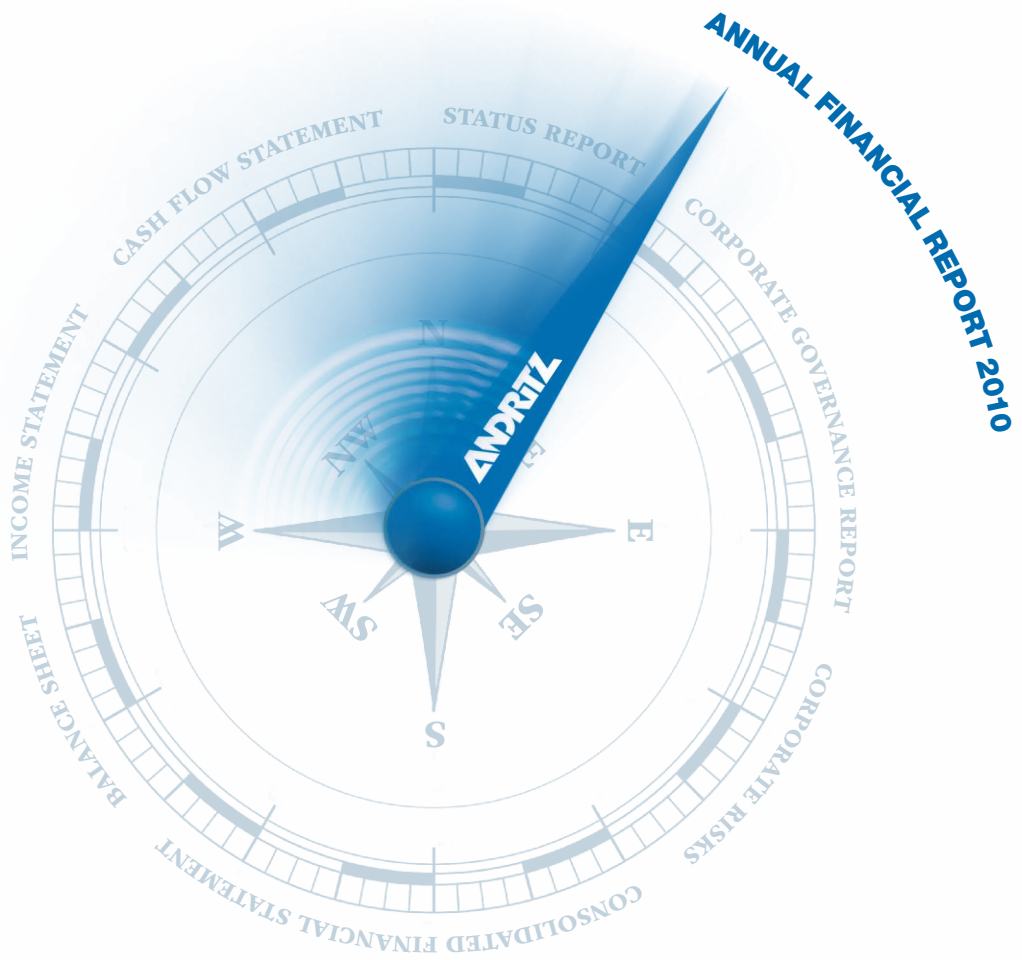


ANDRITZ in 360°



Key figures of the ANDRITZ GROUP

(According to IFRS)	Unit	2010	2009	2008	2007	2006
Order intake	MEUR	4,131.9	3,349.3	3,705.3	3,749.5	2,891.0
Order backlog as of December 31	MEUR	5,290.9	4,434.5	4,277.4	3,843.3	3,397.1
Sales	MEUR	3,553.8	3,197.5	3,609.8	3,282.5	2,709.7
EBITDA ¹⁾	MEUR	307.3	218.2	278.2	250.7	197.7
EBITA ²⁾	MEUR	257.6	164.1	233.2	209.7	166.2
Earnings Before Interest and Taxes (EBIT)	MEUR	245.5	147.1	218.5	200.9	163.3
Earnings Before Taxes (EBT)	MEUR	247.9	149.6	210.5	200.8	165.3
Net income (incl. non-controlling interests)	MEUR	177.0	102.9	147.0	137.8	121.1
Cash flow from operating activities	MEUR	704.5	345.7	255.0	33.1	143.1
Capital expenditure ³⁾	MEUR	68.8	70.5	69.7	57.0	45.7
Employees as of December 31 (excl. apprentices)	-	14,655	13,049	13,707	12,016	10,215
Fixed assets	MEUR	858.9	731.4	732.1	632.3	608.6
Current assets	MEUR	3,176.9	2,577.9	2,354.2	1,877.1	1,777.5
Total shareholders' equity ⁴⁾	MEUR	794.4	663.5	577.4	481.6	414.5
Provisions	MEUR	582.8	529.9	477.3	402.4	386.1
Other liabilities	MEUR	2,658.6	2,115.9	2,031.6	1,625.4	1,585.5
Total assets	MEUR	4,035.8	3,309.3	3,086.3	2,509.4	2,386.1
Equity ratio ⁵⁾	%	19.7	20.0	18.7	19.2	17.4
Net liquidity ⁶⁾	MEUR	1,177.0	677.9	408.9	246.5	365.7
Net debt ⁷⁾	MEUR	-992.0	-505.3	-242.9	-94.8	-216.9
Net working capital ⁸⁾	MEUR	-556.1	-104.3	22.7	99.1	-93.6
Capital employed ⁹⁾	MEUR	-86.0	285.9	406.8	405.6	194.5
Gearing ¹⁰⁾	%	-124.9	-76.2	-42.1	-19.7	-52.3
EBITDA margin	%	8.6	6.8	7.7	7.6	7.3
EBITA margin	%	7.2	5.1	6.5	6.4	6.1
EBIT margin	%	6.9	4.6	6.1	6.1	6.0
Net income/sales	%	5.0	3.2	4.1	4.2	4.5
ROE ¹¹⁾	%	22.3	15.5	25.5	28.6	29.2
EV ¹²⁾ /EBITDA	-	7.8	6.5	1.9	7.6	9.1
Depreciation and amortization/sales	%	1.7	2.0	1.5	1.4	1.3
Impairment (amortization) of goodwill/sales	%	0.0	0.2	0.2	0.1	0.0

1) Earnings Before Interest, Taxes, Depreciation, and Amortization 2) Earnings Before Interest, Taxes, Amortization of identifiable assets acquired in a business combination and recognized separately from goodwill at the amount of 12,158 TEUR (2009: 9,109 TEUR) and impairment of goodwill at the amount of 0 TEUR (2009: 7,922 TEUR) 3) Additions to intangible assets and property, plant, and equipment 4) Total shareholders' equity incl. non-controlling interests 5) Total shareholders' equity/total assets 6) Cash and cash equivalents plus marketable securities plus fair value of interest rate swaps minus financial liabilities 7) Interest bearing liabilities incl. provisions for severance payments, pensions, and jubilee payments minus cash and cash equivalents and marketable securities 8) Non-current receivables plus current assets (excl. cash and cash equivalents as well as marketable securities) minus other non-current liabilities and current liabilities (excl. financial liabilities and provisions) 9) Net working capital plus intangible assets and property, plant, and equipment 10) Net debt/total shareholders' equity 11) ROE (Return On Equity): Net income/total shareholders' equity 12) EV (Enterprise Value): market capitalization based on year-end closing price minus net liquidity



ANDRITZ ANNUAL REPORT 2010: GLOBAL HOME MARKETS

The ANDRITZ GROUP serves globally operating companies all over the world. In order to meet customers' requirements optimally and quickly, ANDRITZ is present globally. The annual report answers among others the following questions: Where are the ANDRITZ growth markets? Why is it so important for the company to have local presence worldwide? And where are the top projects in the 2010 business year located?

Key figures of the business areas

HYDRO	<i>Unit</i>	2010	2009	2008	2007	2006
Order intake	MEUR	1,870.1	1,693.9	1,543.4	1,216.1	585.4
Order backlog as of December 31	MEUR	3,376.0	2,894.5	2,590.1	1,954.9	1,659.5
Sales	MEUR	1,579.2	1,378.0	1,205.9	910.0	467.9
EBITDA	MEUR	139.9	120.9	105.7	66.3	35.7
EBITDA margin	%	8.9%	8.8%	8.8%	7.3%	7.6%
EBITA	MEUR	118.0	100.5	87.9	52.2	27.6
EBITA margin	%	7.5%	7.3%	7.3%	5.7%	5.9%
Capital expenditure	MEUR	41.5	44.5	35.0	25.4	13.5
Employees as of December 31	-	6,530	5,993	5,606	4,390	3,678

PULP & PAPER	<i>Unit</i>	2010	2009	2008	2007	2006
Order intake	MEUR	1,388.4	923.0	1,033.8	1,406.4	1,432.4
Order backlog as of December 31	MEUR	1,099.6	778.7	752.8	1,060.4	1,124.4
Sales	MEUR	1,105.3	903.3	1,326.6	1,462.2	1,304.2
EBITDA	MEUR	98.4	42.0	84.5	105.3	89.6
EBITDA margin	%	8.9%	4.6%	6.4%	7.2%	6.9%
EBITA	MEUR	80.7	17.5	66.3	87.8	75.9
EBITA margin	%	7.3%	1.9%	5.0%	6.0%	5.8%
Capital expenditure	MEUR	16.4	14.9	20.2	21.8	21.7
Employees as of December 31	-	4,851	4,239	5,102	4,843	3,863

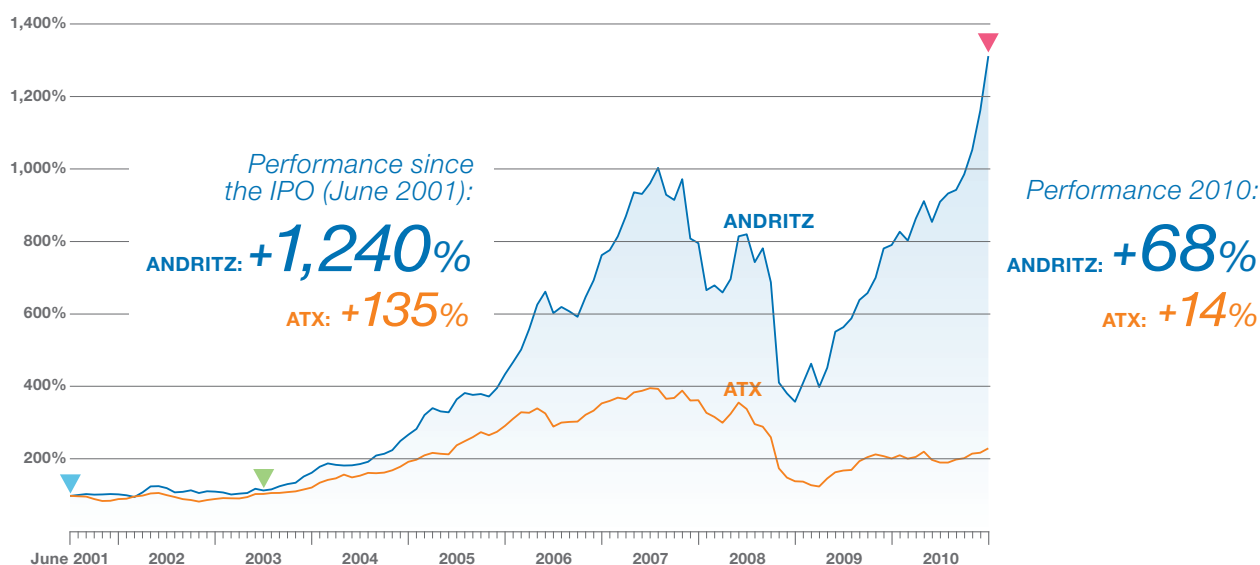
METALS	<i>Unit</i>	2010	2009	2008	2007	2006
Order intake	MEUR	302.7	296.2	611.5	636.4	401.9
Order backlog as of December 31	MEUR	521.0	564.1	736.2	631.5	403.7
Sales	MEUR	340.2	473.4	566.2	408.0	450.5
EBITDA	MEUR	21.2	23.2	42.6	33.1	33.4
EBITDA margin	%	6.2%	4.9%	7.5%	8.1%	7.4%
EBITA	MEUR	18.4	20.5	40.1	30.6	31.1
EBITA margin	%	5.4%	4.3%	7.1%	7.5%	6.9%
Capital expenditure	MEUR	1.9	2.0	4.3	3.2	2.3
Employees as of December 31	-	937	971	996	880	819

ENVIRONMENT & PROCESS	<i>Unit</i>	2010	2009	2008	2007	2006
Order intake	MEUR	424.3	305.4	361.2	346.9	344.2
Order backlog as of December 31	MEUR	242.3	139.6	151.8	161.1	179.3
Sales	MEUR	375.4	322.6	366.6	364.4	366.5
EBITDA	MEUR	34.8	29.3	32.1	30.8	25.9
EBITDA margin	%	9.3%	9.1%	8.8%	8.5%	7.1%
EBITA	MEUR	29.5	24.6	27.3	25.7	20.9
EBITA margin	%	7.9%	7.6%	7.4%	7.1%	5.7%
Capital expenditure	MEUR	5.7	5.7	7.4	4.9	6.5
Employees as of December 31	-	1,816	1,329	1,437	1,349	1,324

FEED & BIOFUEL	<i>Unit</i>	2010	2009	2008	2007	2006
Order intake	MEUR	146.4	130.8	155.4	143.7	127.1
Order backlog as of December 31	MEUR	52.0	57.6	46.5	35.3	30.2
Sales	MEUR	153.7	120.2	144.5	137.8	120.6
EBITDA	MEUR	13.0	2.8	13.3	15.2	12.9
EBITDA margin	%	8.5%	2.3%	9.2%	11.0%	10.7%
EBITA	MEUR	11.0	1.0	11.6	13.4	10.6
EBITA margin	%	7.2%	0.8%	8.0%	9.7%	8.8%
Capital expenditure	MEUR	1.8	3.4	2.9	1.7	1.7
Employees as of December 31	-	522	517	566	553	531

ANDRITZ share

Development of the ANDRITZ share since the IPO



Key figures of the ANDRITZ share

	Unit	2010	2009	2008	2007	2006
Earnings per share	EUR	3.48	1.89	2.73	2.61	2.30
Dividend per share	EUR	1.70 ¹⁾	1.00	1.10	1.00	0.75
Payout ratio	%	48.9	52.9	40.3	38.3	32.6
Equity attributable to shareholders per share	EUR	14.68	12.28	10.59	9.07	7.86
Highest closing price	EUR	68.92	41.94	43.53	54.00	41.08
Lowest closing price	EUR	39.49	17.50	15.96	35.80	23.13
Closing price at year-end	EUR	68.79	40.52	18.16	41.45	41.08
Market capitalization at year-end	MEUR	3,577.1	2,107.0	944.3	2,155.6	2,135.9
Performance	%	+67.8	+111.0	-54.4	+2.6	+74.9
ATX weighting at year-end	%	7.3211	4.3701	2.9209	2.3950	2.4080
Average daily number of shares traded	Share unit	230,773	307,029	488,638	452,909	355,580

1) Proposal to the Annual General Meeting.

On May 3, 2007, the ANDRITZ share was split in a ratio of 1:4. Historical share price data were adjusted accordingly.
 Source: Vienna Stock Exchange

Basic data of the ANDRITZ share

ISIN code	AT0000730007
First listing day	June 25, 2001
Types of shares	No-par value shares, bearer shares
Total number of shares	52 million
Authorized capital	None
Free float	Approximately 71%
Stock Exchange	Vienna (Prime Market)
Ticker symbols	Reuters: ANDR.VI; Bloomberg: ANDR, AV
Stock Exchange indices	ATX, ATX five, ATXPrime, WBI

Status report	04
Corporate Governance report	14
Corporate risks	18
Report of the Supervisory Board	22
Statement by the Executive Board, pursuant to Article 82 (4) of the (Austrian) Stock Exchange Act	23
Consolidated financial statements 2010 of the ANDRITZ GROUP	25
Auditor's report	26
Consolidated statement of financial position	27
Consolidated income statement	28
Consolidated statement of comprehensive income	29
Consolidated statement of shareholders' equity	30
Consolidated statement of cash flows	31
Notes to the consolidated financial statements	32
Contact	70
Service for shareholders	71
Online and print versions of the annual report and annual financial report, financial calendar	72

Status report

GENERAL ECONOMIC CONDITIONS

The year 2010 was characterized by a stabilization of the economy and a slight recovery in the world's major economic regions, although very clear regional differences in growth dynamics were noted. While the emerging markets saw very strong economic growth, particularly in Asia and South America, the economic growth in Europe and the USA was significantly more moderate; it was not before the second half of 2010 when a stronger economic recovery in these two regions was noted.

In the USA, economic growth was moderate during the reporting period. The slight growth in industry was mostly driven by investments related to the government's incentive programs, as well as inventory re-stocking in many industries. Private consumption, which accounts for around two thirds of the GDP, was very weak as a result of the unemployment level exceeding 10%. The real estate market also showed no signs of a sustained recovery. Due to this development, the Federal Reserve (FED) left interest rates at a record low level throughout the year.

The economy in Europe also saw very moderate development in 2010. High unemployment in most EU member states, as well as government programs initiated to consolidate and reduce budget deficits, placed a substantial burden on economic recovery. While domestic consumption thus stagnated in most countries in the euro zone, exports, especially in Germany, saw very positive development due to the considerable demand coming from the emerging markets and the weakness of the Euro against the US dollar.

In contrast, Asia and the other large emerging markets saw positive economic development. Economic activities in China were supported by the stimulus program implemented by the Chinese government, as well as by rising export figures. Japan and most of the South American countries also showed very positive development, sustained primarily by strong domestic consumption on the part of the population in these countries.

Source: OECD

BUSINESS DEVELOPMENT

Changes in consolidated companies/acquisitions

The following company was not, or only partially, included in the ANDRITZ GROUP's consolidated financial statements for the 2009 business year:

- ANDRITZ Rollteck GmbH: Design and manufacture of winders for the paper industry.

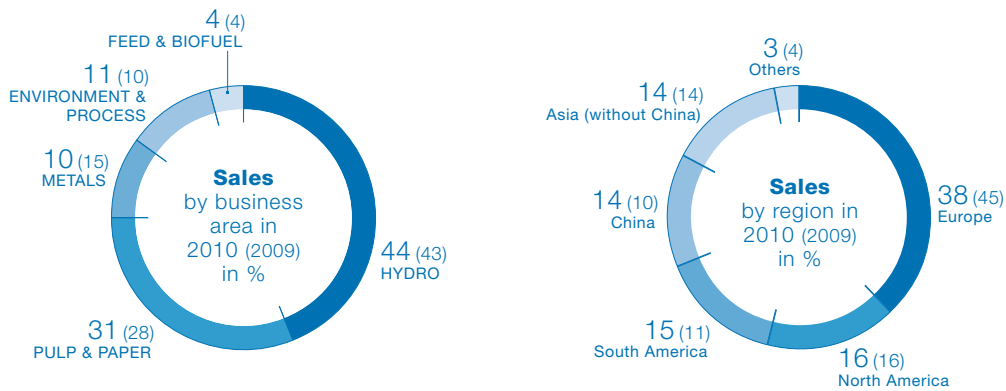
The following companies were included for the first time in the consolidated financial statements of the ANDRITZ GROUP in 2010:

- ANDRITZ Biax S.A.S.: Systems and equipment for the production of biaxially stretched plastic films.
- ANDRITZ Perfojet S.A.S.: Machinery and systems for the production of nonwovens.
- ANDRITZ Frautech S.r.l.: Separators for applications in the dairy and olive oil industries.
- ANDRITZ Precision Machine & Supply, Inc.: Service for the hydropower sector.
- ANDRITZ Delkor Capital Equipment: Dewatering equipment, especially for the mining industry.
- ANDRITZ KMPT Group: Mechanical and thermal solid/liquid separation, particularly for the chemical and pharmaceutical industries.
- ANDRITZ Ritz Group: Pumps for the water supply and mining sectors, as well as offshore and sub-sea applications.

The initial accounting for the companies/businesses acquired in 2009 and 2010 was based on preliminary figures.

Sales

Sales of the ANDRITZ GROUP amounted to 3,553.8 MEUR in the 2010 financial year, thus 11.1% higher than the reference figure for the previous year (2009: 3,197.5 MEUR). With the exception of METALS, where sales declined considerably compared to the previous year due to the continuing difficult market environment in the international steel industry, all business areas were able to achieve a significant increase in sales compared to 2009.

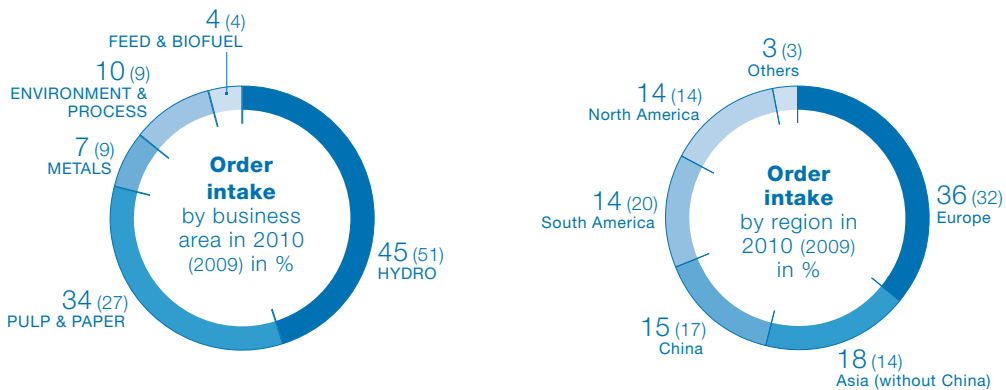


Share of service sales in Group and business area sales

	2010	2009
ANDRITZ GROUP	29%	27%
HYDRO	24%	24%
PULP & PAPER	40%	41%
METALS	8%	3%
ENVIRONMENT & PROCESS	30%	28%
FEED & BIOFUEL	44%	56%

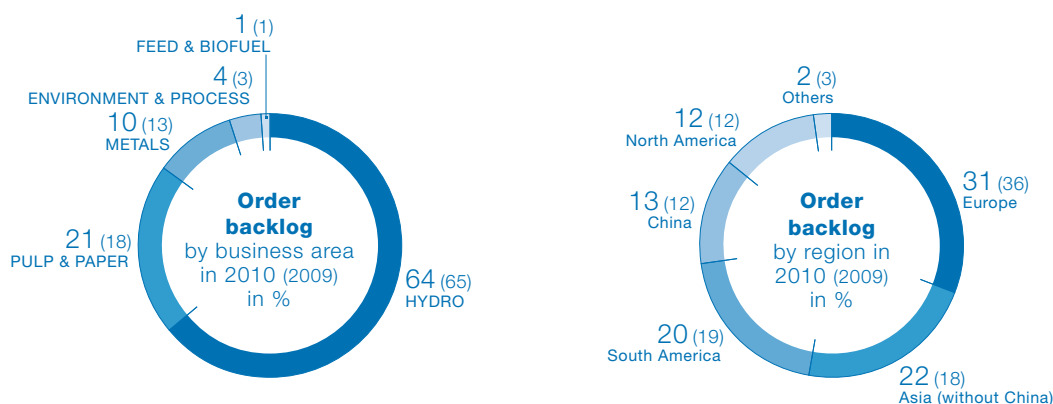
Order intake

Order intake of the Group saw very favorable development during the reporting period and rose to a new record level of 4,131.9 MEUR. This increase of 23.4% compared to the previous year (2009: 3,349.3 MEUR) was attributable largely to the PULP & PAPER (from 923.0 MEUR in 2009 to 1,388.4 MEUR in 2010) and ENVIRONMENT & PROCESS (from 305.4 MEUR in 2009 to 424.3 MEUR in 2010) business areas. The HYDRO business area also showed very positive development, achieving a new record figure of 1,870.1 MEUR in order intake (2009: 1,693.9 MEUR).



Order backlog

The order backlog of the ANDRITZ GROUP as of December 31, 2010 amounted to 5,290.9 MEUR, an increase of 19.3% compared to the previous year's high level (December 31, 2009: 4,434.5 MEUR). In the HYDRO, PULP & PAPER, and ENVIRONMENT & PROCESS business areas, the order backlog rose substantially compared to the previous year.



Earnings

The EBITA of the Group saw very favorable development and increased substantially more than sales. At 257.6 MEUR, it was 57.0% higher than the reference figure for the previous year (2009: 164.1 MEUR), which was impacted by expenses for capacity adjustments and operational restructuring that were necessary due to the overall global economic situation. Thus, the Group's profitability (EBITA margin) increased to 7.2% (2009: 5.1%).

Impairment testing of goodwill showed that no impairment charges are to be recorded in the reporting period (2009: 7.9 MEUR).

The financial result of the ANDRITZ GROUP amounted to 2.4 MEUR, thus slightly below the previous year's level (2009: 2.6 MEUR).

The tax rate was 28.6% in 2010 (2009: 31.2%).

The net income of the Group excluding non-controlling interests amounted to 179.6 MEUR (2009: 96.8 MEUR) in the reporting period.

Financial key figures

	Unit	2010	2009	+/-
Sales	MEUR	3,553.8	3,197.5	+11.1%
Return on sales ¹⁾	%	6.9	4.6	-
EBITDA	MEUR	307.3	218.2	+40.8%
Earnings before interest and taxes (EBIT)	MEUR	245.5	147.1	+66.9%
Earnings before taxes (EBT)	MEUR	247.9	149.6	+65.7%
Net income (incl. non-controlling interests)	MEUR	177.0	102.9	+72.0%

1) Earnings Before Interest and Taxes/Sales

Net worth position and capital structure

The total assets of the ANDRITZ GROUP as of December 31, 2010 increased to 4,035.8 MEUR (December 31, 2009: 3,309.3 MEUR). The equity ratio as of December 31, 2010 amounted to 19.7% (December 31, 2009: 20.0%).

The liquid funds (cash and cash equivalents plus marketable securities) as of December 31, 2010 amounted to 1,594.7 MEUR (December 31, 2009: 1,082.1 MEUR). The net liquidity (liquid funds plus fair value of interest rate swaps minus financial liabilities) increased to 1,777.0 MEUR and was thus significantly higher than at the end of last year (December 31, 2009: 677.9 MEUR). This increase is mainly due to advance payments for some major projects.

In addition to the high net liquidity, the ANDRITZ GROUP also has the following credit and surety lines for performance of contracts, down payments, guarantees, etc., at its disposal:

- Credit lines: 222 MEUR, thereof 52 MEUR utilized
- Surety lines: 4,380 MEUR, thereof 2,214 MEUR utilized

Key balance sheet ratios

	Unit	2010	2009
Equity ratio ¹⁾	%	19.7	20.0
Return on equity ²⁾	%	31.2	22.5
Return on investment ³⁾	%	6.1	4.4
Net liquidity ⁴⁾	MEUR	1,177.0	677.9
Net debt ⁵⁾	MEUR	-992.0	-505.3
Net working capital ⁶⁾	MEUR	-556.1	-104.3
Capital employed ⁷⁾	MEUR	-86.0	285.9
Gearing ⁸⁾	%	-124.9	-76.2

1) Total shareholders' equity/Total assets 2) EBT (Earnings Before Taxes)/Total shareholders' equity 3) Earnings Before Interest and Taxes/Total assets 4) Cash and cash equivalents plus marketable securities plus fair value of interest rate swaps minus financial liabilities 5) Interest bearing liabilities including provisions for severance payments, pensions, and jubilee payments minus cash and cash equivalents and marketable securities 6) Non-current receivables plus current assets (excluding cash and cash equivalents as well as marketable securities) minus other non-current liabilities and current liabilities (excluding financial liabilities and provisions) 7) Net working capital plus intangible assets and property, plant, and equipment 8) Net debt/Total shareholders' equity

Assets

898.2 MEUR	1,542.9 MEUR	1,594.7 MEUR
Long-term assets: 22%	Short-term assets: 38%	Cash and cash equivalents, and marketable securities: 40%

Liabilities

794.4 MEUR	440.6 MEUR	313.4 MEUR	2,487.4 MEUR
Shareholders' equity incl. minority interests: 20%	Financial liabilities: 11%	Other long-term liabilities: 8%	Other short-term liabilities: 61%

Capex and cash flow

The investments in tangible and intangible assets amounted to 68.8 MEUR in 2010 (2009: 70.5 MEUR). Capital expenditure focused mainly on workshop modernizations.

The cash flow from operating activities amounted to 704.5 MEUR and was thus considerably higher than the previous year's value (2009: 345.7 MEUR).

Key cash flow ratios

	Unit	2010	2009
Cash flow from operating activities	MEUR	704.5	345.7
Capital expenditure ¹⁾	MEUR	68.8	70.5
Free cash flow ²⁾	MEUR	644.9	285.6
Free cash flow per share ³⁾	EUR	12.4	5.5

1) Additions to intangible assets and property, plant, and equipment 2) Cash flow from operating activities minus capital expenditure plus payments from the sale of intangible assets and property, plant, and equipment 3) Free cash flow/Total number of ANDRITZ shares

RISK MANAGEMENT

ANDRITZ has a Group-wide risk management system whose goal is to identify nascent risks and to implement countermeasures. This is an important element in active risk management within the Group.

Main characteristics of the internal controlling and risk management system for the invoicing process

The Executive Board is responsible for implementing a suitable internal controlling and risk management system for the invoicing process and financial reporting. For this purpose, the Executive Board has agreed on binding regulations and guidelines/policies to be applied throughout the Group for the main business risks and in the financial reporting process.

The accounting department, which includes financial accounting, reports directly to the Executive Board. Suitable organizational arrangements ensure that the legal requirements to make complete, correct, timely, and

orderly entries in the books and other records are met. The entire process from procurement to payment is subject to strict rules and guidelines/policies that are intended to avoid any risks these processes may entail. These measures and rules include separation of functions, signature authorization matrices, and signatory powers for authorizing payments applying on a collective basis only and restricted to a small number of employees, as well as system-supported checks by the software in use (SAP).

By using a standardized, Group-wide financial reporting system, together with instant occasion driven reporting on major events, the Executive Board is informed constantly on all relevant issues. The Supervisory Board is informed in Supervisory Board meetings held at least once every quarter on the current business development, including operative planning and the medium-term strategy of the Group, with direct and immediate information being provided to the Supervisory Board in special cases. Internal control and risk management are among the topics dealt with in audit committee meetings.

Internal auditing, set up as a management administrative department, audits individual processes or Group companies according to an audit plan defined for each year.

Financial risks

Monitoring and management of financial risks are integral parts of the accounting and controlling activities within the ANDRITZ GROUP. Continuous controlling and regular reporting are intended to increase the likelihood of identifying major risks at an early stage and allow countermeasures to be implemented if necessary. Still, there is no guarantee that the monitoring and risk control systems are sufficiently effective.

The essential risks for the business development of the ANDRITZ GROUP in 2011 relate above all to the Group's dependence on the general economic development and the development of the industries it serves, to whether major orders are received and to the risks they entail; and to whether adequate sales proceeds are realized from the high order backlog. In addition, unexpected increases in costs and difficulties in achieving the guaranteed performance parameters in the plants that ANDRITZ supplies present substantial risks during project execution. The financial difficulties and the continuing difficult overall economic development (particularly in Europe and the USA) also constitute a serious risk for the ANDRITZ GROUP's financial development. In addition, a possible slowdown in economic activities in the emerging markets also presents a risk to the Group. The weak economy may lead to further delays in the execution of existing orders and to the postponement or cancellation of existing projects. Cancellations of existing contracts could adversely affect the ANDRITZ GROUP's order backlog, which would in turn have a negative impact on utilization of the Group's manufacturing capacities.

Complete or partial goodwill impairments resulting from acquisitions may also influence the earnings development of the ANDRITZ GROUP if the targeted financial goals for these companies cannot be reached. In addition, there is always some risk that partial or full provisions will have to be made for some trade accounts receivable.

For the majority of orders, the risk of payment failure by customers is mitigated by means of bank guarantees and export insurance, but individual payment failures can have a substantial negative impact on earnings development of the Group. Risks related to deliveries to countries with medium to high political risks typically are also insured to a large extent. Interest and exchange rate risks are minimized and controlled by derivative financial instruments, in particular forward exchange contracts and swaps. Net currency exposure of orders in foreign currencies (mainly US dollars, Canadian dollars, and Swiss francs) is hedged by forward contracts. Cash flow risks are monitored via monthly cash flow reports.

In order to further reduce the financial risks and to enhance monitoring, control, and assessment of its financial and liquidity position, the ANDRITZ GROUP has continuously improved its treasury policy and information systems.

The ANDRITZ GROUP's position in terms of liquidity is very good; the Group has sufficient liquidity reserves and secured access to liquidity. The Group avoids dependence on one single or only a few banks. To ensure independence, no bank will receive more than a certain defined amount of the business in any important product (cash and cash equivalents, financial liabilities, financial assets, guarantees, and derivatives). Nevertheless, if one or more banks were to become insolvent, this would have a considerable negative influence on earnings development and shareholders' equity of the ANDRITZ GROUP. In addition, lowering of ANDRITZ's credit rating by several banks can limit the financial leeway available to ANDRITZ, particularly regarding sureties to be issued.

Cash is largely invested in low-risk financial assets, such as government bonds, government-guaranteed bonds, investment funds to cover pension obligations, or term deposits. However, turbulences on the international financial markets may lead to unfavorable price developments for various securities in which the Group has invested (e.g. money market funds, bonds), or make them non-tradeable. This could have an adverse effect on the ANDRITZ GROUP's financial result or shareholders' equity due to necessary depreciation or value adjustments. The crisis has also heightened the risk of default by some issuers of securities, as well as by customers.

Non-financial risks

In the manufacturing sector, precise planning, high commitment, and flexibility of employees are essential factors to ensure short lead times and on-time production. Internally, ANDRITZ uses flextime contracts and a large contingent of temporary workforce to cope with cyclical fluctuations and peaks in workload. In addition, the handling of outsourced business is improved continuously by efficient supplier management, and the pool of suppliers is constantly extended to include new, qualified companies.

The ANDRITZ manufacturing strategy is based on in-house manufacture of core components and purchase of additional manufacturing services. This strategy makes it easier to deal with variations in capacity utilization and ensures optimum use of own manufacturing capacities. In accordance with this make-or-buy strategy, process-relevant key components for ANDRITZ plants and products are mainly manufactured and assembled in the Group's own workshops. Simple components, on the other hand, are largely purchased from qualified suppliers, who are subjected to regular quality checks and on-time performance monitoring.

In the Human Resources sector, interesting career opportunities, incentive plans, and focused management training programs are essential elements in attracting well-trained and highly qualified employees. High quality standards in the selection process guarantee that the most suitable candidates are recruited.

As part of succession planning, internal candidates for succession to key positions are identified on the basis of standardized performance and potential assessments in order to have candidates available in the short and medium-term to fill any posts becoming vacant.

Variations in capacity utilization can be compensated at Group level by allocating orders to certain sites worldwide and locally by using temporary workforce.

Impact of exchange rate fluctuations

Fluctuations in exchange rates are hedged by forward rate contracts.

Non-financial performance indicators

Manufacturing

During the global economic weakness, capacity adjustments were made in 2010 at some of the Group's manufacturing locations. In the HYDRO business area, on the other hand, manufacturing capacities were extended selectively in some regions due to the sharp rise in business volume. To minimize the risk of sustained under-utilization of the Group's manufacturing capacities, an optimized cyclical management concept was implemented over the past few years to adapt the Group's manufacturing units efficiently to deal with changes in general conditions and capacity utilization.

Investments focused on new manufacturing technologies, automation, capacity adjustments at bottlenecks, development of new capacities in the growth markets of India, China, and Brazil, and on systematic extension of the supply chain.

Human resources

At the end of 2010, the ANDRITZ GROUP had a total of 14,655 employees (an increase of 12.3% compared with December 31, 2009: 13,049 employees).



Human Resources Management is responsible for the coordination and planning of Human Resources activities throughout the Group. Its main targets are to fill vacancies in key positions and to offer attractive career and development opportunities for future managers.

Environmental protection

In 2010, the ANDRITZ location in Graz, Austria, once again received the Ökoprofit Gold Certificate awarded by the City of Graz for outstanding achievements in the field of environmental protection standards and measures. By installing automatic level monitoring for technical gases, any leaks can be detected at an early stage and energy losses prevented. In addition, part of the manufacturing shop has been fitted with new lighting technology in an initial project stage, promising power savings of 34,000 kWh/a. Project work for the planned hydraulic manifold for connecting circuits in the heating plant was completed successfully and will be implemented in 2011. This will reduce consumption of natural gas for heating purposes by 140,000 m³/a. Despite a 15% increase in workload compared to 2009, consumption of fresh water in manufacturing was retained at a constant level.

RESEARCH & DEVELOPMENT

In 2010, the ANDRITZ GROUP invested 52.5 MEUR in research and development activities (2009: 49.2 MEUR). Total expenditure for research and further development of new processes and products, including contract-related developments, in order to further extend the technological leadership of ANDRITZ amounted to approximately 3% of sales.

More than 300 employees work in the Group's research centers in Austria, Finland, France, Switzerland, and the USA, developing new processes and products to extend ANDRITZ's technological leadership. The main goal in all business areas is to develop customized technologies that enhance the productivity of customers' plants, minimize operating costs, and maximize energy efficiency and environmental protection. The business areas' research and development programs in detail:

HYDRO

Pumped storage power stations make a substantial contribution towards the stability of the electric grid and act as a back-up for the increasing number of intermittent energy supply sources (for example wind and solar energy). These requirements lead to frequent changes between pumping and turbine operation, exposing the machinery to extreme stresses and strains in places. When this happens the flow pattern is very much non-stationary. The ANDRITZ HYDRO research and development teams have been able to improve the flow patterns of pump turbines by means of non-stationary flow calculations.

A breakthrough was achieved in simulation of complex flow patterns in turbine housings during further development work on Pelton turbines. Controlling of two-phase currents (air and water mix) in Pelton housings is of vital significance, particularly in the rehabilitation of older Pelton turbines.

In order to make better use of the hydropower potential of existing irrigation dams, work on optimization of Hydromatrix® turbines was continued successfully.

Modeling and simulation of the hydraulic design were further improved in order to determine the optimum coating for turbine blades as protection against abrasion.

PULP & PAPER

In terms of power-to-heat ratio, the new ANDRITZ HERB recovery boiler (HERB: High Energy Recovery Boiler) ordered by Iggesund Paperboard, Sweden, will be the most efficient recovery boiler in the world. With the HERB recovery boiler, pulp mills can maximize electricity generation from black liquor, usually producing enough power to cover the electricity demand of the mill and sell surplus energy to the public grid.

Waste-To-Power (WTP) is a newly created unit within ANDRITZ PULP & PAPER, specializing in technologies to produce energy from paper mill waste residuals, mainly sludge and rejects from wastepaper recycling processes.

Following successful development work, the latest generation LimeFlash™ technology is now being installed in customers' plants. LimeFlash™ improves sludge drying and feed to a lime kiln, the largest consumer of fossil fuels in a pulp mill. With the new technology, the kiln capacity can be increased by up to 20% and energy efficiency substantially improved.

The Advanced TMP mechanical pulping technology from ANDRITZ is a milestone in the development of processes to reduce electricity consumption, cut greenhouse gas emissions, and produce high-grade pulp from lower quality wood. For a fiberline with an annual capacity of 200,000 t, the energy savings can be up to 60,000 MWh/a.

In order to meet the tougher limits for the effluent discharged from bleached mechanical pulp mills, there is a need for improvement of evaporation and incineration of the solids contained in these effluents. ANDRITZ has

developed a technology to close the water loop entirely by recovering, cleaning, and returning the significant amount of water (used in the pulping process) back to the process. Thus, overall water consumption is substantially reduced.

By replacing cast iron with steel, ANDRITZ has not only found a way to improve the energy efficiency of a Yankee dryer in a tissue machine, but also to increase its operating reliability. Steel Yankees have an evaporation rate 15-20% higher than that of cast iron. Tissue producers can thus either increase production at the same energy input, or reduce energy consumption while maintaining the same capacity.

Work to produce ethanol from cellulosic non-food biomass and in biomass torrefaction was continued successfully. New insights regarding enzyme treatment of biomass will reduce the capital investment and operating costs for a cellulosic ethanol mill dramatically. By using torrefaction, the quantity of biomass used in, for example, coal-fired power plants can be increased substantially. In addition, a system was developed in which the biomass can be crushed to a uniform grain size, thus substantially increasing the energy value of the biomass as a result of the even material flow.

METALS

In car manufacturing, more and more galvanized sheet metal is being used in order to improve corrosion protection. Large quantities of new galvanized scrap are produced in the manufacturing process. Although this scrap is high-grade material, the zinc coating on the surface means that it can only be further processed at the expense of the quality, thus resulting in markdowns in price. In a pilot plant developed by ANDRITZ METALS, scrap from production at Volkswagen AG (VW) was dezincified in 2010 for the first time. In this process, the scrap is brought into contact with a liquid from zinc production. The zinc content in the liquid thus increases, and the enriched liquid is delivered back to the zinc manufacturer. After cleaning and drying, the dezincified scrap can be used for more demanding applications, for example in the foundry industry.

A new roller seal is being developed for the stainless steel annealing furnace sector that allows very economical process management, particularly with the increasing demand for longer length furnaces.

The process for regeneration of used mixed acid from stainless steel pickles was optimized. The target is a totally effluent-free pickling system and regeneration process by using an evaporator for the rinsing water.

ANDRITZ is developing a new shaft furnace for generator shafts. This is a vertical annealing furnace for heat treatment of long items. Thanks to its special charging method, there is no longer any need for the high-ceiling machine shops usually required, nor is it necessary to install the shaft furnace below ground level. Generator shafts are used for wind turbines and in shipbuilding.

ENVIRONMENT & PROCESS

The research and development work in the ENVIRONMENT & PROCESS business area focused on many different applications for solid/liquid separation during the reporting period. For example, a decanter with 20% more throughput was developed for the dewatering of tar and sand sludge. The new design for screen bowl centrifuges, allowing 30% more throughput, was patented.

In the sludge drying sector, a belt drying concept was developed that provides an economical method of sludge disposal using waste heat, particularly for smaller, decentralized systems.

For filter presses used in ore mining, the plate opening times have been shortened, thus leading to reduced operating cycles for the customer.

A drum filter was developed for applications in the synthetics industry that ensures easy maintenance, even at higher throughputs.

FEED & BIOFUEL

Design of the complete equipment for higher production capacities in pelleting plants using biomass raw materials (especially wood or straw) was one of the main focuses of research and development work by the FEED & BIOFUEL business area in 2010. Although annual production capacities of 100,000 t were usual until only recently, nowadays capacities of up to 1,000,000 t are required by customers. Thus, test series were concluded successfully for delivery of the two largest wood pelleting plants in the world, supplied by ANDRITZ to RWE Innogy, Georgia, USA, and Vyborskaja Cellulosa, Russia, with annual production capacities of 750,000 t and 900,000 t respectively.

In addition to tests with the pelleting raw materials wood and straw, the research and development team also investigated other biomass materials that can be used in pellet production and require different process applications.

In order to make biomass pellets more competitive compared with other renewable energy sources, pellet quality was improved in order to increase the energy output during firing. On the torrefaction side, the research and development team has been heavily involved in developing pelleting solutions to produce densified fuels based on torrefied biomass.

Capacity increases are the goal in further development of extrusion lines for the animal feed industry, where the main focus lies on mills for pet food and aquatic feed.

OUTLOOK

Leading economic experts do not expect any substantial change in the economic situation in the most important regions for 2011. While the economies in the emerging markets, particularly Asia and South America, should continue their very robust development, economic development in the USA and Europe is expected to remain at a more moderate level. A strong and sustained recovery is not anticipated in these two economic regions in 2011 either.

Based on the prevailing economic environment and the current project activity in those markets that are relevant for ANDRITZ's business, the expectations of the ANDRITZ GROUP for its economic development in the coming quarters have not changed.

In the HYDRO business area, an unchanged favorable market environment with solid project activity is expected for 2011, both in the modernization sector for existing hydropower plants and in construction of new hydropower stations. As a result of the strong economic growth and efforts to become less dependent on fossil fuels in the emerging markets, a number of new hydropower plant projects can be expected. As a result of the high average age of the installed base, investment activity in Europe and North America will continue to focus on modernization, rehabilitation, and capacity increases for existing plants. Small power stations and pumped storage power stations should also continue to see a high level of project activity due to the necessity of securing grid stability.

In the PULP & PAPER business area, an overall good project activity is expected for 2011. In South America in particular, some orders for greenfield pulp mills or modernization and expansion of existing mills are expected to be awarded. Satisfactory development is also expected in the environmental technologies sector (recovery and biomass boilers) and in modernization of existing plants, particularly in Europe.

In the METALS business area, the moderate investment activity should continue in 2011, both in the carbon steel and stainless steel sectors. In view of the substantial fluctuations in capacity utilization rates, most steel manufacturers, particularly in Europe and North America, have cut their capital expenditure plans to an absolute minimum. Selective project activity is only expected in the emerging markets as a result of the considerable economic and population growth in these regions.

In the ENVIRONMENT & PROCESS business area, project activity should remain solid for both municipal and industrial sludge dewatering as well as drying plants. In addition to Europe, strong investment activity is also expected in Asia (particularly China).

The FEED & BIOFUEL business area is also expected to continue its satisfactory development in 2011. In the aquatic feed and pet food sectors, solid development is anticipated in project activity, particularly in South America, Asia, and Eastern Europe. Similarly, good project activity is expected overall for biomass and wood pelleting plants.

Based on these expectations and the order backlog of more than 5.2 billion Euros at the end of 2010, the ANDRITZ GROUP expects sales in the 2011 business year to rise by around 10% compared to the full year of 2010. The net income is also expected to rise compared to the previous year. If, however, the global economy suffers a setback in 2011, this could have a negative impact on the sales and earnings developments of the ANDRITZ GROUP in future.

Significant events after December 31, 2010

The status of the global economy and the financial markets did not change substantially in the period between the date of the balance sheet and publication of the present report.

In January 2011, ANDRITZ Energy & Environment GmbH concluded an agreement with the reorganization administrator of AE&E Austria GmbH & Co KG to acquire certain assets and orders. Following approval by the antitrust authorities, ANDRITZ AG acquired ANDRITZ Energy & Environment GmbH, as documented in the declaration of acceptance dated January 5, 2011.

SHARES AND SHAREHOLDER STRUCTURE

Disclosure according to Article 243a of the Austrian Business Code (Unternehmensgesetzbuch – UGB)

The capital stock of ANDRITZ AG as of December 31, 2010 amounted to 104,000,000 EUR. As a result, the proportionate amount of the capital is 2.00 EUR per no-par value share.

There are no limitations concerning the voting rights or the transfer of shares. Approximately 29% of the shares are held by Certus Beteiligungs-GmbH, whose Managing Director is Wolfgang Leitner, President and Chief Executive Officer of ANDRITZ AG.

At present, there is no authorized capital. On March 27, 2008, the Annual General Meeting of Shareholders authorized the Executive Board to buy back up to 10% of the total of shares of ANDRITZ AG between October 1, 2008 and March 31, 2011. At the end of September 2008, the Executive Board of ANDRITZ AG decided to make use of this authorization and buy back shares between October 1, 2008 and March 31, 2011. There are no powers of the members of the Executive Board, especially regarding the possibility to issue or buy back shares, that do not result directly from legal stipulations.


As far as is known to the company, there are no holders of shares with special controlling rights. Employees exercise their voting rights directly. Furthermore, there are no stipulations regarding the appointment and removal of the members of the Executive Board and the Supervisory Board and modifications of the company's Articles of Association that do not result directly from legal stipulations.

There are no significant agreements in which the company participates that would become effective, change, or end in the event of a change in the control of the company following a takeover bid. According to the terms of the ANDRITZ corporate bond 2006-2013 issued in June 2006 and of the ANDRITZ corporate bond 2008-2015 issued in February 2008, all holders of a bond forming part of the issue shall, in the event of a change of control by a large new shareholder taking place and this change of control leading to a substantial impairment of the issuer's ability to fulfill its obligations from the bonds forming part of the issue, be entitled to accelerate maturity of their bonds and to require immediate repayment at the nominal value plus any interest accumulated up to the day of repayment.

Compensation agreements exist between the company and members of its Executive Board in the event of a change of control. No such compensation agreements exist for the members of the Supervisory Board or any employees.

Graz, February 24, 2011

The Executive Board of ANDRITZ AG



Wolfgang Leitner
President and CEO



Franz Hofmann



Karl Hornhofer



Humbert Köfler



Friedrich Papst

Disclaimer:

Certain statements contained in the annual financial report 2010 and annual report 2010 constitute 'forward-looking statements.' These statements, which contain the words 'believe', 'intend', 'expect', and words of a similar meaning, reflect the Executive Board'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.

The annual financial report 2010 and the annual report 2010 contain assumptions and forecasts which were based on the information available up to the copy deadline on February 25, 2011. If the premises for these assumptions and forecasts do not occur, or risks indicated in the chapter 'corporate risks' and in the status report in the annual financial report 2010 do arise, actual results may vary from the forecasts made in the annual financial report 2010 and the annual report 2010. Although the greatest caution was exercised in preparing data, all information related to the future is provided without guarantee.

Corporate Governance report

ANDRITZ has adopted the rules of conduct laid down in the Austrian Code of Corporate Governance and regards the Code as an essential requirement for implementation of responsible company management and control, which is directed towards creating sustainable added value and transparency for shareholders and other stakeholders. The Executive Board and the Supervisory Board, as well as the entire staff of the ANDRITZ GROUP, are committed to complying with the Code.

Mandatory information according to Article 243b of the Austrian Business Code (Unternehmensgesetzbuch – UGB)

ANDRITZ has adopted the Austrian Code of Corporate Governance, which is publicly accessible and available on the ANDRITZ web site at www.andritz.com, and at www.corporate-governance.at, the website of the Austrian Working Group for Corporate Governance.

Categories of rules of the Austrian Code of Corporate Governance

The Austrian Corporate Code of Corporate Governance encompasses the following three categories of rules:

- L-Rules** (Legal Requirement): referring to mandatory legal requirements.
- C-Rules** (Comply or Explain): These rules are to be followed or any deviation must be explained and the reasons stated therefor in order to be in compliance with the Code;
- R-Rules** (Recommendation): the nature of this rule is a recommendation; non-compliance with this rule requires neither disclosure nor explanation.

ANDRITZ states as follows regarding the requirements of and the deviations from the Code's C-Rules:

C-Rule 31, C-Rule 51: ANDRITZ AG believes that the publication of the remuneration of single Executive Board members and single Supervisory Board members does not provide the shareholders and other stakeholders with any additional information relevant to the capital market. It would, therefore, not provide them with additional knowledge gain under economic aspects.

Composition of the Executive Board according to Article 243b, para. 2 UGB

The ANDRITZ AG Executive Board consists of five members:

Wolfgang Leitner, born on March 27, 1953

- President and Chief Executive Officer
- Responsibilities on the Board: central Group functions such as Controlling, Finance, Treasury, Legal Matters, Internal Auditing, Information Technology, Investor Relations, Corporate Communications, Human Resources Management, as well as Organization and Business Process Development
- First appointed as President and CEO on June 29, 1994; as CFO on October 1, 1987
- Current mandate ends on June 28, 2013
- Supervisory board mandates in other listed companies in Austria and abroad: none

Franz Hofmann, born on February 16, 1949

- Responsibilities on the Board: METALS and ENVIRONMENT & PROCESS business areas, Group-wide for Automation
- First appointed on June 1, 1999
- Current mandate ends on March 31, 2011
- Supervisory board mandates in other listed companies in Austria and abroad: none

Karl Hornhofer, born on March 9, 1968

- Responsibilities on the Board: Capital Systems segment of the PULP & PAPER business area, Group-wide for Quality Management
- First appointed on January 1, 2007
- Current mandate ends on December 31, 2014
- Supervisory board mandates in other listed companies in Austria and abroad: none

Humbert Köfler, born on January 11, 1961

- Responsibilities on the Board: Service & Units segment of the PULP & PAPER business area, Group-wide for Procurement
- First appointed on April 1, 2007
- Current mandate ends on March 31, 2015
- Supervisory board mandates in other listed companies in Austria and abroad: none

Friedrich Papst, born on November 6, 1952

- Responsibilities on the Board: HYDRO and FEED & BIOFUEL business areas, Group-wide for Manufacturing
- First appointed on April 1, 1999
- Current mandate ends on December 31, 2015 (mandate extended by further five years on December 31, 2010)
- Supervisory board mandates in other listed companies in Austria and abroad: none

Relating to the successor arrangement for Franz Hofmann, who will retire on March 31, 2011, the Supervisory Board of ANDRITZ AG took the following resolutions regarding Executive Board responsibilities, effective as of April 1, 2011: Wolfgang Semper will be appointed as new member of the Executive Board with responsibility for the HYDRO business area together with Friedrich Papst and for Automation on a Group-wide level. Wolfgang Semper has been successfully heading the Large Hydro division of the ANDRITZ HYDRO business area since 2000. In addition to their other duties, Friedrich Papst will assume responsibility for the METALS business area and Humbert Köfler for the ENVIRONMENT & PROCESS business area. The areas of responsibility assigned to Wolfgang Leitner, President and CEO, and to Karl Hornhofer, member of the Executive Board, will remain unchanged.

Composition of the Supervisory Board according to Article 243b, para. 2 UGB

The ANDRITZ AG Supervisory Board consists of six appointed members and three delegated members.

Appointed members:

Hellwig Torggler, born on August 26, 1938

- Chairman of the Supervisory Board
- First delegated on September 6, 2000
- Current mandate ends on the date of the Annual General Meeting deciding on the discharge for business year 2013
- Supervisory board mandates in other listed companies in Austria and abroad: none

Kurt Stiassny, born on October 6, 1950

- Deputy chairman of the Supervisory Board
- First appointed on December 29, 1999
- Current mandate ends on the date of the Annual General Meeting deciding on the discharge for business year 2014
- Supervisory board mandates in other listed companies in Austria and abroad: Austria Email AG

Peter Mitterbauer, born on November 14, 1942

- First appointed on April 8, 2003
- Current mandate ends on the date of the Annual General Meeting deciding on the discharge for business year 2013
- Supervisory board mandates in other listed companies in Austria and abroad: Oberbank AG, Rheinmetall AG

Christian Nowotny, born on July 23, 1950

- First appointed on December 29, 1999
- Current mandate ends on the date of the Annual General Meeting deciding on the discharge for business year 2012
- Supervisory board mandates in other listed companies in Austria and abroad: none

Fritz Oberlerchner, born on June 16, 1948

- First appointed on March 29, 2006
- Current mandate ends on the date of the Annual General Meeting deciding on the discharge for business year 2014
- Supervisory board mandates in other listed companies in Austria and abroad: STRABAG AG, Cologne

Klaus Ritter, born on April 20, 1940

- First appointed on March 30, 2004
- Current mandate ends on the date of the Annual General Meeting deciding on the discharge for business year 2011
- Supervisory board mandates in other listed companies in Austria and abroad: none

Delegated members:

Andreas Martiner, born on November 11, 1964

- First delegated on February 14, 2001

Martha Unger, born on May 14, 1951

- First appointed on March 28, 2007

Brigitta Wasserbauer, born on June 14, 1952

- First delegated on September 6, 2000

Regarding the independence criteria, the Supervisory Board of ANDRITZ AG follows the guidelines laid down in the Corporate Governance Code, Annex 1. According to these guidelines, all members of the Supervisory Board of ANDRITZ AG, with the exception of Hellwig Torggler, can be seen as independent. No member of the Supervisory Board of ANDRITZ AG holds more than 10% of the total of shares.

Description of the working procedures of the Executive Board and the Supervisory Board in accordance with Article 243b, para. 2 UGB

Allocation of competencies in the Executive Board

The Executive Board of ANDRITZ AG holds board meetings at regular intervals on essential, Group-relevant topics and/or single business areas, such as PULP & PAPER and HYDRO. The competencies and responsibilities of the Executive Board members are listed in the notes on the Executive Board members in this Corporate Governance report. The rules of procedure contain a comprehensive catalog of those business transactions requiring the prior approval of the Supervisory Board in addition to those stated in the mandatory regulations in the Corporation Act.

Supervisory Board committees

The supervisory Board of ANDRITZ AG established an audit committee that held two meetings (March 4, 2010 and December 2, 2010) to deal with the consolidated financial statements for 2009, preparation of the consolidated financial statements for 2010, issues concerning the auditors, and implementation of the internal control and risk management systems in the ANDRITZ GROUP. The members of the audit committee are: Hellwig Torggler (Chairman), Kurt Stiassny (Deputy), Christian Nowotny and Andreas Martiner.

The Supervisory Board has also established a nomination and remuneration committee whose scope of activities includes the remuneration paid to the Executive Board members and the content of their employment contracts, appointments to Executive Board positions that become vacant, and succession planning matters. The nomination and remuneration committee held a meeting on March 26, 2010 and several discussions by phone, as well as taking circular resolutions. The members of the nomination and remuneration committee are: Kurt Stiassny (Chairman) and Hellwig Torggler (Deputy). It is planned to increase the number of members of this committee up to three and to propose to appoint the Chairman of the Supervisory Board as Chairman of this committee.

The ANDRITZ AG Supervisory Board held four regular meetings in 2010. The focal points of these meetings were monitoring of the current business development of the ANDRITZ GROUP, including possible deviations from the budget, the strategic goals, medium-term planning for the individual business areas, as well as specific topics, such as acquisitions of companies, granting of joint procurations, and other business subject to approval.

Measures to promote the appointment of women to the Executive Board, the Supervisory Board, and to management posts (Article 80, Corporation Act)

For many years now, the ANDRITZ GROUP has pursued a strategy of promoting diversity of its employees in terms of their qualification, experience and age, cultural background, gender, and similar factors.

Considerable attention is paid to maintaining a strict equal opportunities policy in the recruitment process. Recruitment of women graduates is also encouraged for posts in engineering.

Various measures have been implemented and investments made to improve the work-life balance for employees to the extent required by the social structures in the various countries. The company-run nursery school set up beside the headquarters of the ANDRITZ GROUP in Graz and the flexible working hours available to employees with young children are two examples of these measures.

In many areas, women were successful in being appointed to management posts. Only recently, Group-wide managerial posts at first and second reporting level were filled by women. ANDRITZ supports and encourages women in technical study courses.

Disclosure of information on the remunerations of the Executive Board and Supervisory Board (C-Rule 30)

- The remuneration of the Executive Board is composed of a fixed and a variable/success-based portion. The amount of the variable portion depends on the net income, including the consideration of linear goodwill amortization. For new contracts with members of the Executive Board, the maximum value for the variable annual remuneration was fixed at three times the fixed annual remuneration. Any amounts in excess of this sum will be credited as a bonus for the following year. If the net income of the Group falls short of a defined amount, this results in a 'malus' that is also carried forward to the following year.
- As in previous share option programs, participation in the 2010 share option program was contingent on investing at least 20,000 EUR in ANDRITZ shares for managerial staff and 40,000 EUR for members of the

Executive Board not later than the allocation date of the options. This investment must be maintained continuously until exercise of the options by those persons subscribing to the option program and evidence thereof must be brought when the options are exercised. There is a waiting period of three years before options can be exercised.

- The members of the Executive Board are entitled to receive pension scheme benefits. In addition to a retirement pension, these include benefits in the event of occupational disability, as well as pension payments for dependents following the death of the beneficiary. The retirement pension is normally paid as from a certain age provided that the employment contract has already been terminated by this date. The administration work has been outsourced to a pension fund. In the event that the employment contract is terminated prematurely, contributions made up to this point shall still be vested. The pension amount to which the beneficiary is entitled is not subject to an escalation clause before any benefits become payable, but will be adjusted annually thereafter.
- Each member of the Executive Board shall, upon termination of his/her function and concurrent termination of employment, be entitled to severance payments in the meaning of Article 23 of the Austrian Employees Act unless such termination is the result of justified dismissal.
- The principles applied in establishing the remuneration of the Executive Board and of senior managers comply with the Austrian Code of Corporate Governance.
- ANDRITZ AG took out Directors' and Officers' liability insurance (D&O insurance) for 2010. The expenses are borne by the company. The D&O insurance covers certain personal liability risks of persons in the ANDRITZ GROUP acting under responsibility. The annual cost is approximately 200,000 EUR.
- The remuneration scheme of the Supervisory Board is composed of a fixed and an attendance-related portion. The fixed portion is a global sum, which is to be distributed such that the chairman of the Supervisory Board receives double the amount and his deputy one-and-a-half-times the amount paid to the other members. The second portion consists of a lump sum fee paid in respect of each meeting that the member attends.
- The remuneration report for the Executive Board and the Supervisory Board of ANDRITZ AG is available in the Notes to the annual financial report 2010.

Graz, March 2011

The Executive Board of ANDRITZ AG

Wolfgang Leitner
President and CEO

Franz Hofmann

Karl Hornhofer

Humbert Köfler

Friedrich Papst

Corporate risks

The ANDRITZ GROUP is a globally-operating company serving a variety of industrial markets and customers. As such, the Group is subject to certain general and industry-specific risks. ANDRITZ has a Group-wide control and steering system whose main task is to identify nascent risks at an early stage and – if possible – to take countermeasures.

The risks for the ANDRITZ GROUP include, but are not limited to, the following:

Risks in connection with the general economic development

Effects of the financial and economic crisis

The global economic development constitutes a considerable risk for the future financial development of the ANDRITZ GROUP and could lead to delays in the execution of existing orders and to postponement or termination of current projects. This may entail a decline in the Group's order intake. Possible cancellations of existing orders could have a negative impact on the ANDRITZ GROUP's order backlog. Both factors may have an adverse effect on the future sales and earnings developments of the Group and also on the Group's order backlog.

Turbulent conditions on the international financial markets and the resulting negative and volatile development of securities, capital, and currency markets also constitute a considerable financial risk for the ANDRITZ GROUP. The Group avoids dependence on one single or only a few banks by defining limits for certain relevant financial positions (cash and cash equivalents, financial liabilities, financial assets, guarantees, and derivatives). Cash is largely invested in traditionally low-risk financial assets, such as government bonds, government-guaranteed bonds, investment funds to cover pension obligations, or term deposits. There is, however, no way of excluding the possibility of a bank with which the ANDRITZ GROUP does business encountering financial difficulties, which could have a negative impact on the volume placed with this bank or result in ANDRITZ not having immediate or only partial access to these investments. In addition, adverse development of financial markets may lead to unfavorable price developments or illiquidity of various securities (investment funds, bonds, etc.) in which the Group has invested, which could adversely affect the ANDRITZ GROUP's financial result or shareholders' equity due to necessary depreciations of the value of such securities.

A negative economic development could create the need for complete or partial impairment of some goodwill created in the course of acquisitions if business goals cannot be reached. This might significantly influence the earnings development.

Risks related to the industries in which the Group operates

Volatility of incoming orders

Some customers and industries served by the ANDRITZ GROUP are directly dependent on general economic development and thus subject to frequent fluctuations in the demand for their products. This is especially true of the PULP & PAPER and the METALS business areas, but all business areas can be affected. The prices for products in these segments are, in part, directly dependent on the prevailing relationship between supply and demand for the goods produced by such products. Possible price fluctuations are, therefore, apt to have a direct influence on each customer's capital investment decisions, with subsequent influence on the Group's order intake. This may lead to some volatility in the development of the Group's order intake.

Customer concentration

In many of the industries served by ANDRITZ, there is a trend towards consolidation and mergers. This applies above all to the pulp and paper industry, and also the steel industry. This consolidation may result in a reduction of the number of customers in the future, as well as the Group having to negotiate with global companies that have greater purchasing power. The dependence on key customers may increase, which could have direct consequences on the Group's financial development.

Uncertainty of future contracts

Among other things, the Group's future performance depends on its securing new contracts. It can be difficult to predict when an order for which the ANDRITZ GROUP has provided a quotation will actually be awarded. Contract awards are often affected by events outside the control of the Group, such as prices, demand, general economic conditions, the granting of governmental approvals, and the securing of project financing. This uncertainty can cause difficulties in matching the Group's fixed costs and predicted order volume.

Safety and environmental matters

The Group's operations are subject to numerous local, national, and supranational environmental regulations. The Group uses and generates hazardous substances in its manufacturing operations. In addition, many of the Group's current and former properties are, or were, used for industrial purposes, and disposal of waste at disposal sites has been arranged. It is possible that the Group may be subject in the future to liabilities relating to the investigation and clean-up of contaminated areas.

In addition, most of the Group's systems involve technologies that pose the risk of serious or fatal injury, or property damage. Several systems involve the use of dangerous and hazardous chemicals and materials. Products of ANDRITZ are also used in primary circuits of nuclear power plants. The Group provides installation and other services on industrial sites containing dangerous and hazardous chemicals and materials. In the event of an accident, including but not limited to a spill of hazardous materials, a fire or an explosion, the Group could be held liable for extensive property damage, personal or fatal injury, and environmental remediation. While the Group maintains insurance policies for some of these risks, there is no assurance that such insurance will be sufficient or cover the risks.

Insurance matters

While the ANDRITZ GROUP maintains insurance programs to cover typical insurable risks related to its business, there can be no assurance that the amount of the Group's insurance will be adequate. Moreover, the Group is involved in certain industries (e.g. space and nuclear industries) for which such risks are typically uninsurable. Any material liability not covered by insurance would have a material adverse effect on the Group's financial condition.

Risks related to the Group's business

Currencies

The Group has operations and subsidiaries in a large number of countries outside Euroland, and a significant portion of its sales and costs are denominated in non-Euro currencies, mainly in US dollars and pounds sterling. The currencies in these countries are subject to fluctuations in exchange rates. Currency and interest rate risks are minimized by derivative financial instruments, in particular forward exchange contracts and swaps.

Although the Group attempts to hedge the net currency exposure of those orders not invoiced in Euros by arranging forward contracts, currency fluctuations can result in the recognition of exchange rate losses in the Group's financial statements. Developments of exchange rates may also have translation effects on the Group's sales and earnings whose values are converted into Euros. In addition, shifts in exchange rates may affect ANDRITZ's position relative to its competitors, although most of the main competitors of ANDRITZ are also based in Euroland. As some of ANDRITZ's major customers are based outside Euroland, changes in exchange rates could lead to delays in project decisions by those customers. Also, the shareholders' equity of the ANDRITZ GROUP is not hedged and is thus susceptible to being affected by changes in the exchange rate.

Cash flow risks are monitored via monthly cash flow reports.

Competitive position

The ANDRITZ GROUP does business in highly competitive markets. Some of the markets in which the Group competes are highly fragmented, with a few large, international manufacturers competing against each other and against a large number of smaller, local companies. In some cases, this has had an adverse impact on sales margins realized by certain of the Group's business transactions. The ANDRITZ GROUP has invested approximately 3% of total sales in research and development and has so far been able to offer its customers the latest technological developments. There is, however, no assurance that the Group can maintain and defend this position in the future.

To the extent that the Group's competitive position can be traced to proprietary technology, the global increase in piracy and reverse engineering may also have an adverse effect on the Group's competitive position.

Acquisition and integration of complementary business segments

One of the Group's main strategic goals is to become a full-line supplier in all of its business areas through organic growth and complementary acquisitions. In the course of implementing this strategy, the Group has acquired and integrated a number of companies with worldwide operations since 1990.

There is, however, no guarantee that the Group will be successful in identifying and acquiring appropriate acquisition candidates in the future, or that suitable candidates and sufficient financing will be available. In the past, ANDRITZ was successful in integrating newly acquired companies, but there is no guarantee that planned objectives and synergies can be realized for all acquisitions in the future (including the ongoing integration of the most recently acquired companies), or that the Group may not be exposed to new or legacy risks that have not been properly managed or identified.

Legal proceedings

In the course of its business, the ANDRITZ GROUP is party to numerous legal proceedings before both administrative and judicial courts and bodies, as well as before arbitration tribunals. The substantial majority of such proceedings is of a nature considered typical of the Group's business. Where appropriate, provisions are made to cover the expected outcome of proceedings to the extent that negative outcomes are likely and reliable estimates can be made. There is no guarantee, however, that these provisions will be sufficient.

ANDRITZ Inc., a subsidiary of the ANDRITZ GROUP, is one of many defendants in 39 asbestos cases (status as of December 31, 2010) in the USA. In aggregate, the cases involve 424 plaintiffs. All of the cases involve claims against multiple defendants. ANDRITZ Inc. does not believe it should be found liable in connection with any of these claims and intends to defend each claim vigorously.

Compliance

The ANDRITZ GROUP is subject to a variety of legal compliance risks, including compliance with anti-trust and anti-bribery laws in Austria and other countries where the Group conducts business. The Group has created a Compliance Committee to oversee its compliance efforts and has adopted a number of compliance policies, including compliance policies prohibiting the violation of applicable anti-trust laws and anti-bribery laws, as well as a Global Code of Conduct. While the Group attempts to make sure that such policies are observed, there can be no assurance that no violations occur. Any such violation could have a lasting adverse impact on the financial position and reputation of the Group.

Risks related to major orders and other contracts

Payment risks from customers

Much of the ANDRITZ GROUP's business involves handling major projects with a large contract value. If a customer fails to meet its payment obligations for one of these projects, this may have a negative effect on the net worth and liquidity position of the Group. The ANDRITZ GROUP tries to limit these risks by securing payment guarantees from banks and export credit insurance agencies. Even in projects covered by export credit insurance, typically only up to 85% of the sales price is secured through such insurance. Moreover, much of the Group's business for aftermarket sales and services is not secured by bank guarantees. Worsening economic conditions could adversely affect the ability of certain customers to meet their payment obligations to ANDRITZ.

In addition, there is always some risk that partial or full provisions will have to be made for some trade accounts receivable.

Performance risk of projects

In conjunction with the performance of plants supplied by ANDRITZ, in many cases the Group is under contractual obligation to provide performance guarantees and to meet certain deadlines. If the performance data stated are not achieved or if deadlines are exceeded, the Group may have to perform remedial work at its own expense or pay damages. If a guaranteed performance level or deadline is missed by a wide margin, the customer may have the right to terminate the agreement and return the delivered system to the Group for a full refund and/or recover damages. Such action could have an adverse effect on the Group's financial development.

Cost overruns

A substantial majority of the Group's projects are based on long-term fixed price contracts. The sales and operating margins realized in a fixed price contract may vary from original estimates as a result of changes in costs, especially fluctuating material costs, and productivity over the term of the contract, especially on projects that include engineering and/or construction of complete plants.

In addition, since certain parts of the Group's supplies are outsourced, the Group may be forced to quote at a fixed price to the customers without knowing exactly how much the purchased parts will cost. While estimates are made using empirical data and quotes from potential suppliers, these may not always be completely accurate. The Group has experienced significant losses on certain past and pending projects in this regard, and similar difficulties and losses may occur in the future in a way that would adversely affect the Group's financial condition.

EPC/turnkey contract risks

In a growing number of the Group's projects, ANDRITZ has responsibility for plant-wide engineering and/or construction in addition to the supply of ANDRITZ equipment. These turnkey or EPC contracts bear the risks discussed above, but also entail certain risks relating to greater on-site responsibilities, including environmental matters, local labor conditions, as well as construction and installation risks. Additionally, the Group is exposed to the risks inherent in managing the third parties providing construction, installation, and engineering services on these projects. The Group has put risk management procedures in place, including insurance programs, contract policies, and project management discipline, to reduce these EPC-related risks. Nevertheless, there is no guarantee that these procedures are sufficient to prevent negative financial consequences.

Consortium risks

In many EPC projects and certain other projects, the ANDRITZ GROUP participates with third parties with whom it shares joint and several liabilities. While the Group attempts to make sure that risks in such projects are properly allocated, there can be no assurance it will be successful. Moreover, the inability of one of the Group's consortium partners to fulfill its obligations on the project, including indemnity obligations to the Group, may have an adverse impact on the financial results of the Group.

Limitations of liability

Liabilities arising out of the Group's contracts may include liabilities for customers' loss of profits and other liabilities that can vastly exceed the value of the contract in question. While the Group endeavors to include appropriate limitations of liability in its contracts, there can be no assurance that appropriate limitations will in fact be in place in all contracts or that such limitations will be enforceable under the applicable law.

Government contracts

A significant amount of the HYDRO business relates to projects with government entities. These projects can involve the performance, liability, and EPC/turnkey contract risks described above. Due to public bid requirements and local laws, it may not always be possible for the Group to obtain its desired contractual safeguards and thus it may remain more exposed to such risks in connection with these projects.

Risks related to the capital markets

Dependence on the development of international financial markets

Apart from company-related occurrences, development of the ANDRITZ share price is also dependent on fluctuations in prices on the international financial markets. Major price fluctuations and high volatility on major stock markets may have an adverse effect on the ANDRITZ share price.

Recommendations by analysts

As a publicly listed company, ANDRITZ is regularly assessed by financial analysts and institutional investors. Analysts' recommendations to buy or sell ANDRITZ shares and subsequent investment decisions by shareholders may cause considerable fluctuations in the share price. The ANDRITZ GROUP has consistently followed a policy of open and transparent information exchange with shareholders and the financial community to minimize unfounded price fluctuations of its shares.

Active trading of ANDRITZ shares

The high level (approximately 71%) of public free float of ANDRITZ's total outstanding shares and the intensive investor relations activities have led to active trading in ANDRITZ shares on the Vienna Stock Exchange. There is no assurance, however, that active trading will be maintained in the future. If active trading was not maintained, the liquidity and market price of ANDRITZ shares would suffer adverse effects and investors may not be able to sell their shares at what they perceive to be an acceptable price. In the absence of active trading or in the event of a major change in market capitalization, the ANDRITZ share could be removed from various international industrial and stock exchange indices, for example the ATX, the leading index of the Vienna Stock Exchange, or other national and international indices. This could result in major changes in the price of the ANDRITZ share.

Report of the Supervisory Board

The Supervisory Board and the Executive Board held four meetings during the reporting period for in-depth discussions of the economic situation and strategic development of the company, as well as major events, capital expenditures, and other measures. In the course of regular reporting and in all meetings, the Executive Board informed the Supervisory Board, by means of detailed reports, on the business and financial situation of the Group and its affiliates, as well as on the situation regarding Human Resources, capital expenditure, and acquisition projects. Additional information was provided on special occurrences. The Chairman of the Supervisory Board and the Chief Executive Officer were also in regular contact to review the company's strategy, business development, and risk management.

Specific topics were discussed in two meetings in depth by the audit committee and reported on subsequently to the Supervisory Board. The Presidium of the Supervisory Board was informed regularly by the Executive Board on the current business development and acted on behalf of the company in matters concerning the Executive Board. None of the members of the Supervisory Board were absent from more than half of the meetings. All members of the audit committee attended the committee meetings.

With regard to the financial statements for 2009, the audit committee called in the annual auditor to attend its meeting on March 4, 2010 in order to review the financial statements, consolidated financial statements, the status report, and the Executive Board's proposal for appropriation of profits. In addition, a statement was drawn up on the auditor designated for business year 2010, his legal relationship with the ANDRITZ GROUP and the members of its Boards verified, the auditing fees negotiated, and a recommendation for the auditor appointment was made. As a further item on the agenda, the audit committee dealt with implementation of the risk management system in the company, the audit schedule of the Internal Auditing department, and suggested allocating additional staff to Internal Auditing. This recommendation was effectuated by increasing the number of staff of the Group Internal Auditing department.

At the meeting of the audit committee held on December 2, 2010, the Supervisory Board – with the auditor also present – discussed organization, scheduling, and auditing of the 2010 financial statements, as well as a report by the Executive Board on the new requirements resulting from the Commercial Law Amendment Act. In the presence of the auditor, the Executive Board informed the Supervisory Board extensively on the internal control system. In addition, the Supervisory Board adjusted the Executive Board's rules of procedure to the changed economic and legal requirements.

The Annual General Meeting of Shareholders on March 26, 2010 re-elected Fritz Oberlerchner and Kurt Stiassny as members of the company's Supervisory Board for the maximum period stipulated in the Articles of Association, i.e. until the end of the Annual General Meeting deciding on the discharge for the 2014 business year. In its meeting on March 4, 2010, the Supervisory Board reviewed the Corporate Governance of the Group.

After the close of the Annual General Meeting of Shareholders on March 26, 2010, the Supervisory Board elected Hellwig Torggler as chairman of the Supervisory Board and Kurt Stiassny as his deputy. Kurt Stiassny and Hellwig Torggler are members of the nomination and remuneration committee on Executive Board matters and members of the audit committee. During the meeting on December 2, 2010, the current business development, including the impact of the financial crisis, the forecast for the 2010 results, the budget for 2011, and the medium-term planning, were discussed in detail.

The financial statements and the status report of ANDRITZ AG and the consolidated financial statements for 2010 drawn up according to IFRS were audited (including the accounts) and certified by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, who had been appointed as auditors by the Annual General Meeting of Shareholders. The Supervisory Board examined the documents in accordance with Article 96 of the Corporation Act and approved the financial statements, which are hereby adopted in accordance with Article 96, para. 4 of the Corporation Act. The Supervisory Board also checked and approved the proposed appropriation of profits submitted by the Executive Board.

Graz, March 2011

Hellwig Torggler
Chairman of the Supervisory Board

Statement by the Executive Board

Statement by the Executive Board, pursuant to Article 82 (4) of the (Austrian) Stock Exchange Act:

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the applicable accounting standards and that the Group status report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the financial statements of the parent company give a true and fair view of the assets, liabilities, financial position, and profit or loss as required by the applicable accounting standards and that the status report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Graz, February 2011

The Executive Board of ANDRITZ AG



Wolfgang Leitner
President
and CEO



Franz Hofmann
METALS,
ENVIRONMENT &
PROCESS



Karl Hornhofer
PULP & PAPER
(Capital Systems)



Humbert Köfler
PULP & PAPER
(Service
and Units)



Friedrich Papst
HYDRO,
FEED & BIOFUEL

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements, including the accounting system, of ANDRITZ AG, Graz, for the fiscal year from January 1, 2010 to December 31, 2010. These financial statements comprise the balance sheet as of December 31, 2010, the income statement for the fiscal year ended December 31, 2010, and the notes.

Management's responsibility for the financial statements and for the accounting system

The company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the company as of December 31, 2010 and of its financial performance for the fiscal year from January 1, 2010 to December 31, 2010 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the management report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures according to section 243a of the Austrian Commercial Code apply.

In our opinion, the management report is consistent with the financial statements. The disclosures according to section 243a of the Austrian Commercial Code apply.

Vienna, February 24, 2011

Deloitte.

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Manfred GERITZER

ppa. Mag. Ulrich DOLLINGER

(Austrian) Certified Public Accountants

This English translation of the audit report was prepared for the client's convenience only. It is no legally relevant translation of the German audit report. Publishing or transmitting of the financial statements including our audit opinion may only take place in conformity with the audit version above. Section 281 para 2 ACC has to be applied for differing forms.

Consolidated financial statements 2010 of the ANDRITZ GROUP	25
Auditor's report	26
Consolidated statement of financial position	27
Consolidated income statement	28
Consolidated statement of comprehensive income	29
Consolidated statement of shareholders' equity	30
Consolidated statement of cash flows	31
Notes to the consolidated financial statements	32
Contact	70
Service for shareholders	71
Online and print versions of the annual report and annual financial report, financial calendar	72

Auditor's report

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of ANDRITZ AG, Vienna, for the fiscal year from January 1, 2010 to December 31, 2010. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2010, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2010, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements and for the accounting system

The company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2010 and of its financial performance and its cash flows for the fiscal year from January 1, 2010 to December 31, 2010 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the management report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, February 24, 2011

Deloitte.

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Manfred GERITZER

ppa. Mag. Ulrich DOLLINGER

(Austrian) Certified Public Accountants

This English translation of the audit report was prepared for the client's convenience only. It is no legally relevant translation of the German audit report. Publishing or transmitting of the financial statements including our audit opinion may only take place in conformity with the audit version above. Section 281 para 2 ACC has to be applied for differing forms.

Consolidated statement of financial position

As of December 31, 2010

(in TEUR)	Notes	2010	2009
ASSETS			
Intangible assets	1.	62,042	44,218
Goodwill	1.	255,063	219,894
Property, plant, and equipment	1.	408,023	345,990
Shares in associated companies	1.	22,110	9,397
Other investments		19,986	22,682
Non-current receivables and other non-current assets	2./ 5./ 7.	39,309	37,807
Deferred tax assets	18.	91,704	89,171
Non-current assets		898,237	769,159
Inventories	3.	334,912	319,880
Advance payments made	4.	105,752	98,211
Trade accounts receivable	5.	510,148	454,691
Cost and earnings of projects under construction in excess of billings	6.	339,886	383,887
Other current receivables	7.	252,159	201,378
Marketable securities		406,728	372,545
Cash and cash equivalents		1,187,946	709,532
Current assets		3,137,531	2,540,124
TOTAL ASSETS		4,035,768	3,309,283
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		104,000	104,000
Capital reserves		36,476	36,476
Retained earnings	8.	616,141	488,874
Equity attributable to shareholders of the parent		756,617	629,350
Non-controlling interests		37,763	34,142
Total shareholders' equity		794,380	663,492
Bonds – non-current	11.	372,880	371,553
Bank loans and other financial liabilities – non-current	11.	19,128	21,956
Obligations under finance leases – non-current	11.	8,163	736
Provisions – non-current	9./ 10.	218,968	209,856
Other liabilities – non-current	12.	14,639	23,303
Deferred tax liabilities	18.	79,796	89,955
Non-current liabilities		713,574	717,359
Bank loans and other financial liabilities – current	11.	39,669	31,110
Obligations under finance leases – current	11.	748	366
Trade accounts payable		305,340	260,337
Billings in excess of cost and earnings of projects under construction	6.	993,706	722,839
Advance payments received		91,358	49,466
Provisions – current	9.	363,784	320,088
Liabilities for current taxes		46,038	34,832
Other liabilities – current	12.	687,171	509,394
Current liabilities		2,527,814	1,928,432
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		4,035,768	3,309,283

The following notes to the consolidated financial statements form an integral part of this consolidated statement of financial position.

Consolidated income statement

For the year ended December 31, 2010

(in TEUR)	Notes	2010	2009
Sales	13.	3,553,787	3,197,517
Changes in inventories of finished goods and work in progress		(55,886)	(28,100)
Capitalized cost of self-constructed assets		1,212	569
		3,499,113	3,169,986
Other operating income	14.	72,291	52,876
Cost of materials		(1,981,379)	(1,820,930)
Personnel expenses	15.	(827,457)	(760,411)
Other operating expenses	16.	(455,282)	(423,323)
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)		307,286	218,198
Depreciation, amortization and impairment of intangible assets and property, plant, and equipment	1.	(61,806)	(63,207)
Impairment of goodwill	1.	0	(7,922)
Earnings Before Interest and Taxes (EBIT)		245,480	147,069
Income/(expense) from associated companies		156	(1,339)
Interest result		2,111	489
Other financial income/(expense), net		180	3,409
Financial result	17.	2,447	2,559
Earnings Before Taxes (EBT)		247,927	149,628
Income taxes	18.	(70,958)	(46,716)
NET INCOME		176,969	102,912
Thereof attributable to:			
Shareholders of the parent company		179,586	96,807
Non-controlling interests		(2,617)	6,105
Weighted average number of no-par value shares		51,543,778	51,270,203
Earnings per no-par value share (in EUR)	19.	3.48	1.89
Effect of potential dilution of share options		318,279	0
Weighted average number of no-par value shares and share options		51,862,057	51,270,203
Diluted earnings per no-par value share (in EUR)	19.	3.46	1.89
Proposed or paid dividend per no-par value share (in EUR)	8.	1.70	1.00

The following notes to the consolidated financial statements form an integral part of this consolidated income statement.

Consolidated statement of comprehensive income

For the year ended December 31, 2010

<i>(in TEUR)</i>	<i>Notes</i>	2010	2009
Net income		176,969	102,912
Currency translation adjustments		33,501	19,951
Actuarial gains/(losses)		3,731	10,971
Taxes on actuarial gains/(losses)		(633)	(1,753)
Changes to IAS 39 reserve	<i>J.</i>	577	8,155
Taxes on changes to IAS39 reserve	<i>J.</i>	(129)	(2,064)
Other comprehensive income for the year		37,047	35,260
Total comprehensive income for the year		214,016	138,172
Thereof attributable to:			
Shareholders of the parent company		214,194	127,765
Non-controlling interests		(178)	10,407

The following notes to the consolidated financial statements form an integral part of this consolidated statement of comprehensive income.

Consolidated statement of shareholders' equity

For the year ended December 31, 2010

	Attributable to shareholders of the parent							Non- control- ling in- terests	Total share- holders' equity	
	Notes	Share capital	Capital reserves	Other retained earnings	IAS 39 reserve	Actu- arial gains (losses)	Cur- rency trans- lation adjust- ments			Total
<i>(in TEUR)</i>										
Status as of										
January 1, 2009		104,000	36,476	465,479	(4,837)	(13,890)	(44,723)	542,505	34,877	577,382
Total comprehensive income for the year				96,807	5,994	9,088	15,876	127,765	10,407	138,172
Dividends	8.			(56,321)				(56,321)	(10,646)	(66,967)
Change of consolidation range				496				496	(496)	0
Capital increase								0		0
Changes concerning own shares				10,207				10,207		10,207
Changes concerning share option programs				4,698				4,698		4,698
Other changes								0		0
STATUS AS OF										
DECEMBER 31, 2009		104,000	36,476	521,366	1,157	(4,802)	(28,847)	629,350	34,142	663,492
Status as of										
January 1, 2010		104,000	36,476	521,366	1,157	(4,802)	(28,847)	629,350	34,142	663,492
Total comprehensive income for the year				179,586	491	3,109	31,008	214,194	(178)	214,016
Dividends	8.			(51,741)				(51,741)	(1,545)	(53,286)
Change of consolidation range				(902)			466	(436)	(3,181)	(3,617)
Capital increase								0	8,525	8,525
Changes concerning own shares				(37,788)				(37,788)		(37,788)
Changes concerning share option programs				3,232				3,232		3,232
Other changes				(178)				(16)		(194)
STATUS AS OF										
DECEMBER 31, 2010		104,000	36,476	613,575	1,648	(1,693)	2,611	756,617	37,763	794,380

The following notes to the consolidated financial statements form an integral part of this consolidated statement of shareholders' equity.

Consolidated statement of cash flows

For the year ended December 31, 2010

(in TEUR)	Notes	2010	2009
Earnings Before Taxes (EBT)		247,927	149,628
Interest result		(2,111)	(489)
Depreciation, amortization, write-ups and impairment of fixed assets		61,806	71,107
Income/expense from associated companies		(156)	1,339
Changes in non-current provisions		(9,914)	(5,345)
Results from the sale of fixed and financial assets		(2,281)	(3,885)
Other non-cash income/expenses		387	2,229
Taxes paid		(73,553)	(58,068)
Interest received		20,955	23,299
Interest paid		(14,116)	(17,961)
Gross cash flow		228,944	161,854
Changes in inventories		36,889	45,643
Changes in advance payments made		810	2,371
Changes in receivables		29,918	8,019
Changes in current provisions		24,266	63,240
Changes in advance payments received		16,763	(10,182)
Changes in liabilities		366,930	74,755
Cash flow from operating activities		704,520	345,700
Payments received for asset disposals		12,796	21,578
Payments made for investments in fixed tangible and intangible assets		(68,767)	(70,550)
Payments made for investments in financial assets		(10,433)	(2,662)
Cash flow from acquisition of subsidiaries	<i>l.</i>	(57,907)	17,239
Other changes of consolidation range		1,841	0
Payments made for short-term financial investments		(27,344)	(99,258)
Cash flow from investing activities		(149,814)	(133,653)
Changes in interest-bearing borrowings		(8,635)	(9,611)
Dividends paid by ANDRITZ AG		(51,741)	(56,321)
Other changes of investments by non-controlling shareholders		(5,162)	(10,646)
Payments concerning own shares		(37,788)	10,207
Cash flow from financing activities		(103,326)	(66,371)
Change in cash and cash equivalents		451,380	145,676
Changes in cash and cash equivalents resulting from exchange rate fluctuations		27,034	5,408
Cash and cash equivalents at the beginning of the period		709,532	558,448
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,187,946	709,532

The following notes to the consolidated financial statements form an integral part of this consolidated statement of cash flows.

Notes to the consolidated financial statements

As of December 31, 2010

A. GENERAL

ANDRITZ AG ('ANDRITZ') is incorporated under the laws of the Republic of Austria and has been listed on the Vienna Stock Exchange since June 2001. The ANDRITZ GROUP (the 'Group') is a leading producer of high-technology industrial machinery and operates through five strategic business areas: HYDRO, PULP & PAPER, METALS, ENVIRONMENT & PROCESS, and FEED & BIOFUEL.

The average number of employees in the Group was 13,776 in 2010 and 13,347 in 2009. The registered office address of the Group is at Stattegger Strasse 18, 8045 Graz, Austria.

The consolidated financial statements are the responsibility of the Executive Board and are acknowledged by the Supervisory Board.

Various amounts and percentages set out in these consolidated financial statements have been rounded and accordingly may not total.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the consolidated financial statements of ANDRITZ are as follows:

a. General

The financial statements were prepared in accordance with standards formulated by the International Accounting Standards Board (IASB) endorsed by the European Union and whose application is mandatory for 2010. All interpretations formulated by the International Financial Reporting Interpretations Committee (IFRIC), whose application is also mandatory for 2010, have been taken into account.

ANDRITZ applies the standards IFRS 3 (revised) 'Business Combinations' and IAS 27 'Consolidated and Separate Financial Statements' for the financial year beginning on January 1, 2010.

IFRS 3 (revised) reconsiders the application of acquisition accounting for business combinations. Major changes relate to the measurement of non-controlling interests, the accounting for business combinations achieved in stages, as well as the treatment of contingent consideration and acquisition-related costs. Based on the new regulation, non-controlling interests may be measured at their fair value (full-goodwill-method) or at the proportional fair value of assets acquired and liabilities assumed. In business combinations achieved in stages, any previously held equity interest in the acquiree is revalued to its acquisition date fair value. Any changes to contingent consideration classified as a liability at the acquisition date are recognized in profit and loss. Acquisition-related costs are expensed in the period incurred.

Major changes in relation to IAS 27 (revised) relate to the accounting for transactions which do not result in a change of control as well as to those leading to a loss of control. If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting profit and loss. At the date control is lost, any retained equity interests are revalued to fair value. Based on the amended standard, non-controlling interests may show a deficit balance since both profits and losses are allocated to the shareholders based on their equity interests.

The revised standards IFRS 3 and IAS 27 are the most essential standards for the treatment of business combinations, consolidated financial statements, and transactions with non controlling interests. Especially, fair-value valuations receive more importance in these revised standards.

The following pronouncements, issued by the IASB, are not yet effective and have not yet been adopted by ANDRITZ:

Standard/ Interpretation	Title	Effective for annual financial statements for periods beginning on or after
IAS 24 (revised)	Related Party Disclosures	January 1, 2011
IAS 32 (revised)	Amendment to IAS 32 Financial Instruments Presentation: Classification of Rights Issues	February 1, 2010
IFRS 7 (revised)	Amendment to IFRS 7: Improving Disclosures about Financial Instruments	January 1, 2013
IFRS 9	Financial Instruments	January 1, 2013
IFRIC 14	Amendment to IFRIC 14	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

This list represents the changes relevant for ANDRITZ. These changes could have an effect on future transactions, and this is currently being evaluated.

b. Reporting currency

The consolidated financial statements are presented in Euros.

c. Principles of consolidation

The consolidated financial statements of the Group include ANDRITZ and the companies that it controls. This control basically exists where ANDRITZ owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to non-controlling shareholders' interests are shown separately in the balance sheet and income statement. The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date of acquisition or date of disposal. Joint ventures with equal voting rights are consolidated on a proportionate basis. The following table shows the pro-rata values for entities included in the financial statements by proportionate consolidation:

<i>(in TEUR)</i>	2010	2009
Non-current assets	0	425
Current assets	0	3,130
Non-current liabilities	0	0
Current liabilities	0	1,103
Sales	5,924	8,613
Net income	199	558

Inter-company balances and transactions, including inter-company profits and unrealized profits and losses, have been eliminated. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

C. ACQUISITIONS

At the beginning of 2010, ANDRITZ acquired a majority stake in Precision Machine & Supply, Inc. located in Spokane, Washington, USA. With this acquisition, ANDRITZ HYDRO is expanding its service and manufacturing capacities in North America.

ANDRITZ took over certain assets of the insolvent DMT Technology GmbH, with headquarters in Salzburg, Austria, and its subsidiary DMT S.A.S., located in Le Bourget-du-Lac, France. DMT is one of the world's leading manufacturers of plants and systems for the production of biaxially stretched plastic films. With this acquisition, ANDRITZ is expanding its product range in the PULP & PAPER business area.

Additionally, the following businesses were acquired in the first half of 2010: ANDRITZ Perfojet S.A.S. (machinery and systems for the production of nonwovens in the PULP & PAPER business area), ANDRITZ Frautech S.r.l. (producer of separators for applications in the dairy and olive oil industries), and ANDRITZ Delkor Capital Equipment (dewatering solutions for the mining industry – both in ENVIRONMENT & PROCESS).

At the end of June, ANDRITZ acquired KMPT AG, headquartered in Vierkirchen, Germany, including its affiliates in England, France, Italy, China, and the United States. KMPT ranks among the leading global suppliers of pusher and peeler centrifuges, used mainly in the chemical and pharmaceutical industries. In addition, the company's product portfolio includes dryers (mixer, helix and plate dryers) for the chemical and food industries, as well as drum and disc filters. The ANDRITZ ENVIRONMENT & PROCESS business area is thus strengthening its product offerings for solid/liquid separation.

At the end of 2010, ANDRITZ acquired RITZ Pumpenfabrik GmbH & Co. KG, based in Schwäbisch Gmünd, Germany, including various affiliates. The pumps manufactured by RITZ are used mainly in the water supply and mining sectors, as well as in offshore and subsea applications. The special motors required to drive submersible pumps are also developed and manufactured by RITZ. By acquiring RITZ, ANDRITZ is strengthening and complementing its product range in the HYDRO business area.

Since their acquisition, the companies acquired have contributed TEUR 67,096 to the ANDRITZ GROUP's sales and TEUR -5,476 to the ANDRITZ GROUP's EBIT. If the businesses had been acquired at the beginning of 2010, the Group's sales would have been 3,627,669 TEUR and the Group's EBIT would have decreased to TEUR 243,435.

The aggregated purchase price of the business combinations effected in 2010 amounted to TEUR 84,950, direct costs of acquisition amounted to TEUR 1,331.

The estimated fair values of the assets acquired and liabilities assumed are as follows:

<i>(in TEUR)</i>	Carrying amount	Fair value allocations	Fair value
Intangible assets	738	30,351	31,089
Property, plant, and equipment	25,527	4,149	29,676
Inventories	34,672	0	34,672
Receivables	26,444	95	26,539
Payables	(68,366)	(8,262)	(76,628)
Non-interest-bearing net assets	19,015	26,333	45,348
Marketable securities	2,454	0	2,454
Cash and cash equivalents	22,309	0	22,309
Financial assets	2,820	0	2,820
Interest-bearing borrowings	(19,933)	0	(19,933)
Goodwill	0	31,952	31,952
Net assets acquired	26,665	58,285	84,950

The initial accounting for the businesses acquired in 2010 is based on preliminary figures.

D. ACCOUNTING AND VALUATION PRINCIPLES

a. Intangible assets

Intangible assets are accounted for at acquisition cost. After initial recognition, intangible assets are accounted for at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year-end.

Concessions, industrial rights, and similar rights

Amounts paid for concessions, industrial rights, and similar rights are capitalized and then amortized on a straight-line basis over the expected useful life. The expected useful lives vary from 3 to 15 years.

Business combinations and goodwill

For business combinations and goodwill, IFRS 3 has been applied. According to this standard, goodwill is measured as the residual cost of the business combination after recognizing the acquiree's identifiable assets, liabilities, and contingent liabilities. From 2005 on, any goodwill arising from business combinations is no longer amortized. Goodwill is tested for impairment in accordance with IAS 36 at least annually, or more frequently if events or changes in circumstances indicate that it might be impaired. In determining whether the recognition of an impairment loss is required, goodwill is allocated to the cash-generating units that are expected to benefit from the synergies of the business combination. If the carrying amount exceeds the value in use that is calculated by using a Discounted Cash-Flow (DCF) calculation, an impairment loss is recognized. An impairment loss recognized for goodwill will not be reversed in a subsequent period.

Future payment surpluses are based on internal forecasts, which are prepared in detail for the next business year and with simplifications for the following two years, and reflect the historical performance and management's best estimates on future developments. After this detailed planning phase, a constant level is assumed provided that there are no fundamental reasons not to do so. The discount rate used for DCF calculation is based on an interest rate which represents the actual assessment of possible changes of exchange rates as well as specific risks of an asset. Under consideration of the applicable currency and the corresponding risk profile, a discount rate between 8.49% and 20.00% was applied.

Substantial goodwill was allocated at the acquisition date to existing cash-generating units of ANDRITZ AG (1999), of the pulp business acquired through the ANDRITZ-Ahlstrom Group (2000/2001) as well as of the VA TECH HYDRO Group in the HYDRO business area (2006).

After reassessment of the identification and measurement of the acquiree's identifiable assets, liabilities, and contingent liabilities, and measurement of the cost of the combination, any negative goodwill is recognized in profit or loss immediately.

b. Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant, and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of putting the asset into working conditions and bringing it to the appropriate location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repair, maintenance and overhaul costs, are normally charged to income statement in the period in which the costs are incurred. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and technical equipment	4-10 years
Tools, office equipment, and vehicles	3-10 years

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Assets under construction represent plant and properties under construction and are stated at cost. These include costs of construction, plant and equipment, and other direct costs.

c. Financial assets and investments in associated companies

These non-current investments consist primarily of shares in associated companies, non-current securities, and loans.

Investments in associated companies (generally investments of between 20% and 50% in a company's equity) where a significant influence is exercised by the Group are accounted for by using the equity method. An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognized in prior years no longer exist.

Non-current securities held on a long-term basis are initially recognized at acquisition costs including transaction costs and are classified as available-for-sale investments. In subsequent periods, other non-current securities held on a long-term basis are valued at fair value. Changes of these fair values are recognized as gains or losses directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in profit or loss of the period. Interest on these non-current securities is recognized directly in the income statement in the period it incurs. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost.

Financial assets classified as loans and receivables are measured at amortized costs using the effective interest method less any impairment losses.

d. Finished goods, work in progress, materials, and supplies

Inventories, including work in progress, are valued at the lower of cost and net realizable value after provision for obsolete and slow moving items. The net realizable value is the selling price in the ordinary course of business minus costs of completion, marketing, and distribution. Cost is determined primarily on the basis of the FIFO method. For processed inventories, cost includes the applicable allocation of fixed and variable overhead

costs. Unrealizable inventory has been fully written off. Contracts other than construction contracts are valued at production costs. For these contracts, the revenue is recognized when the ownership of the goods is transferred ('completed contract method').

e. Construction contracts

Receivables from construction contracts and the related sales are accounted for using the percentage of completion method. The construction contracts are determined by the terms of the individual contract, which are agreed at fixed prices. The extent of completion ('stage of completion') is established by the cost-to-cost method. Reliable estimates of the total costs and sales prices and the actual figures of the accumulated costs are available on a monthly basis. Estimated contract profits are recorded in earnings in proportion to recorded sales. In the cost-to-cost method, sales and profits are recorded after considering the ratio of accumulated costs to the estimated total costs to complete each contract. Changes to total estimated contract costs and losses, if any, are recognized in the income statement in the period in which they are determined. For remaining technological and financial risks which might occur during the remaining construction period, an individually assessed amount is included in the estimated contract costs. Impending losses out of the valuation of construction contracts are recognized immediately. Impending losses are recognized when it is probable that the total contract costs will exceed the contract revenues. For possible customer warranty claims, provisions are accounted for according to the profit realization. At the completion of a contract, the remaining warranty risk is reassessed.

f. Trade accounts receivable

Receivables are stated at face value after allowances for doubtful accounts.

g. Marketable securities

Marketable securities consist of government bonds, bonds of first-class banks, and bond funds. They are held for the purpose of investing in liquid funds and are not generally intended to be retained on a long-term basis. Marketable securities are initially recognized at acquisition costs, including transaction costs, and are classified as available-for-sale investments. In subsequent periods, marketable securities are valued at fair value. Changes of these fair values are recognized as gains or losses directly in equity, until the security is disposed of or is determined to be impaired. In case of a significant and not only temporary decline in value, impairment is recognized in the income statement.

h. Cash and cash equivalents

Cash includes cash in hand and cash at banks. Cash equivalents might include short-term deposits with banks with original maturities of three months or less and that are not subject to any risk of change in value.

i. Share capital

Only ordinary shares exist and all shares are issued and have the same rights.

The share capital of ANDRITZ AG amounts to TEUR 104,000 divided into 52,000,000 shares of no-par value.

Based on authorizations of the Shareholders' Meeting and with approval from the Supervisory Board, the Executive Board has decided on programs for acquisition of up to 5,200,000 own shares between October 1, 2008 and March 31, 2011. In 2009, no shares were bought back. 310,000 own shares were resold at a price of EUR 31.67 per share to eligible executives under the management share option plan and 17,133 own shares were transferred to employees of ANDRITZ AG in the course of an employee participation program. In 2010, 838,057 own shares were bought back at an average price of EUR 54.95. In addition, 238,000 own shares were resold at a price of EUR 31.67 per share to eligible executives under the management share option plan and 6,935 own shares were transferred to employees of ANDRITZ AG in the course of an employee participation program. 10,000 shares were sold for a price of EUR 43.00 per share on the Vienna stock exchange. At December 31, 2010, the company held 1,055,263 own shares at a market value of TEUR 72,592. It is planned to use these shares to service the management share option plan.

j. Capital reserves

Capital Reserves are created in accordance with Austrian legal requirements and include share premium amounts.

k. Retained earnings

Retained earnings include retained income, IAS 39 reserve, actuarial gains and losses, and currency translation adjustments.

I. Provisions

A provision is recognized when, and only when, the enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

m. Financial instruments under IAS 39 and IFRS 7

Financial assets

A financial instrument is a contract between two entities which creates a financial asset at one entity and a financial liability or equity instrument at another entity. If the Group qualifies as a party to the contract concerning the contract regulations, a financial asset or financial liability is recognized in the consolidated statement of financial position in accordance with the substance of the contractual arrangement. Financial assets and liabilities include cash and cash equivalents, marketable securities, trade and other accounts receivable and payable, non-current receivables, borrowings, issued bonds, and other investments.

Financial instruments are recognized and derecognized on the trade date. This is the day of purchase or sale of a financial asset on which the contract terms require delivery of the financial asset within the time frame established by the market concerned, and financial assets are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value without transaction costs. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets can be classified into the following specified categories: financial assets 'at Fair Value Through Profit or Loss' (FVTPL), 'held-to-maturity investments', 'loans and receivables' and 'Available For Sale' (AFS) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The ANDRITZ GROUP classifies its financial assets either under FVTPL, loans, and receivables or AFS.

Financial assets at FVTPL

The ANDRITZ GROUP classifies its financial assets at FVTPL if the financial asset is held for trading, which applies only to derivatives. The Group uses derivative financial instruments to manage its exposure to foreign exchange rate risk, changes in fair value of the bonds, and commodity price risk. Financial assets at FVTPL are stated at fair value, with any resulting gain or loss recognized in profit or loss unless the derivative is accounted for as a cash flow hedge with gains and losses recognized in equity.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Depending on the fair value of the derivative, it is recognized either under 'other receivables' or 'other liabilities', respectively, under bank loans and other financial liabilities.

AFS financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit or loss. Equity securities (e.g. shares), debt securities (e.g. bonds), and other investments (e.g. fund shares) held by the ANDRITZ GROUP are designated as AFS financial assets.

AFS are stated at fair value. Gains and losses resulting from changes in fair value are recognized directly in equity in the investments revaluation reserve (IAS 39 reserve) with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized directly through profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period. Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive payments is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Loans and receivables

The ANDRITZ GROUP classifies trade receivables, loans, cost and earnings of projects under construction in excess of billings and other receivables with fixed or determinable payments that are not quoted in an active market as 'loans and receivables'. Loans and receivables are measured at amortized costs less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized costs, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized through profit or loss.

The previously recognized impairment loss is reversed through profit or loss up to the extent of the initial impairment if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. An exception is AFS equity instruments, for which any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Financial liabilities and equity instruments issued by the Group Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities can be classified either as financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

The ANDRITZ GROUP classifies financial liabilities at FVTPL if the financial liability is held for trading, which applies only to derivatives. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, changes in fair value of the bonds, and commodity price risk. Financial liabilities at FVTPL are stated at fair value, with any resulting gain or loss recognized in profit or loss unless the derivative is accounted for as a cash flow hedge with gains and losses recognized in equity.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Subsequently, they are measured at amortized costs using the effective interest method, with interest expense recognized on an effective yield basis.

Fair value of financial instruments

The fair value of financial assets (liabilities) is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In this context, a quoted market price is the best evidence for the fair value, if financial assets (liabilities) are traded on active markets. If no active market exists, generally accepted valuation techniques are used to determine what the price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, and if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If no quoted market price (e.g. equity instruments) and no reliable valuation techniques are available, the financial instrument is measured at cost.

Effective interest method and amortized costs

The effective interest method is a method of calculating the amortized costs of a financial asset (liability) and of allocating interest income (expenses) over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset (liability), or, where appropriate, a shorter period. Interest is recognized on a time proportion basis that reflects the effective interest rate of the asset (liability).

Hedge accounting

The Group designated the bonds issued and the corresponding interest rate swaps into a hedging relationship accounted for as a fair value hedge according to IAS 39.

At the inception of the hedge relationship, the ANDRITZ GROUP documented the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the swaps are highly effective in offsetting changes in fair values or cash flows of the hedged item.

All investments in a foreign entity are long-term investments and no sale of such an investment is presently expected for the foreseeable future. According to the Group's hedging policy, there are no hedges of net investments in foreign currencies.

Fair value hedge

Applying the rules for hedge accounting, the impact is that the gain or loss from remeasuring the hedging instrument at fair value is recognized through profit or loss. The gain or loss on the hedged item attributable to the changes of the hedged risk causes an adjustment of the carrying amount of the hedged item, which is also recognized through profit or loss. In this manner, the gains and losses resulting from the changes in fair value of the hedging instrument and the hedged item offset each other if the hedge is 100% effective.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

Cash flow hedge

The Group uses forward commodity contracts to mitigate exposure to commodity price risk out of projects. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized directly in the IAS 39 reserve in shareholders' equity. Otherwise, for all other cash flow hedges, gains and losses initially recognized in equity are transferred from IAS 39 reserve to net profit or loss in the same period or periods during which the hedged firm commitment or forecast transaction affects the income statement.

n. Other accounting and valuation principles

Research and development costs

Expenditure for research and development is charged as expense in the period incurred because the criteria for capitalization of development costs (IAS 38) are not met. In 2010, TEUR 52,545 and in 2009, TEUR 49,247 were recognized as expenses.

Government grants

Investment grants are deducted from the cost of the asset. Performance-related grants are recorded as other operating income.

Revenue recognition (except for construction contracts)

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognized net of sales taxes and discounts when delivery has taken place and transfer of risks and rewards has been completed.

Interest is recognized on a time-proportion basis that reflects the effective interest rate of the asset. Dividends are recognized when the shareholders' right to receive payment is established.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of the asset. All other costs of borrowing are expensed in the period in which they are incurred.

Impairment of assets

Property, plant, and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount (the higher of fair value less costs to sell and value in use), an impairment loss is recognized in income for items of property, plant, and equipment and intangibles carried at cost. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit.

Management share option plans

Due to the fact that the management share option plans do not include cash-settlements, these corresponding expenses are recorded directly as equity, according to the International Financial Reporting Standards.

o. Foreign currency

Foreign currency transactions

Foreign currency transactions are recorded in the functional currency by applying the exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in the income statement in the period in which they arise.

Foreign entities

Foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically, and organizationally autonomous. Their functional currencies are their respective local currencies. Financial statements of foreign consolidated subsidiaries are translated at year-end rates to the presentation currency with respect to the balance sheet. Expense and revenue items are translated using the average exchange rates for the year. All resulting translation differences are included in a currency translation reserve in equity.

As from 2005, any goodwill arising from the acquisition of a foreign entity is allocated to the acquired entity and is recorded using the exchange rate effective on the balance sheet date.

Exchange differences arising on a monetary item that, in substance, forms part of the Group's net investment in a foreign entity are classified as equity in the consolidated financial statements until disposal of the net investment.

p. Employee benefits

Defined benefit plans (provisions for pensions)

Some Group companies provide defined benefit pension plans for certain employees. The funds are valued every year by professionally qualified independent actuaries. The obligation and costs of pension benefits are determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs. In accordance with IAS 19.93A, actuarial gains and losses affecting provisions for pensions are recognized in equity in the year in which they occur with no effect on profit or loss. Interest expenses resulting from employee benefits are included in the consolidated income statement under interest result. The pension obligation is measured at the present value of estimated future cash flows using different discount rates for different countries. Other Group companies provide defined contribution plans for certain employees. The related costs are expensed as they occur.

Severance payments

In certain countries the Group is also obliged by law to pay termination indemnities in some cases of termination of employment. No termination indemnities are payable for voluntary termination at the request of the employee. Expenses related to termination indemnities are accrued. The funds are valued every year by professionally qualified independent actuaries. The obligation and costs of pension benefits are determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested. Gains or losses on the curtailment or settlement of employee benefits are recognized when the curtailment or settlement occurs. In accordance with IAS 19.93A, actuarial gains and losses affecting provisions for severance are recognized in equity in the year in which they occur with no effect on profit or loss. Interest expenses resulting from employee benefits are included in the consolidated income statement under interest result. The severance obligation is measured at the present value of estimated future cash flows using different discount rates for different countries.

q. Income taxes

The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for income tax purposes.

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to reverse.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Group reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The Group recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilized.

Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity, including exchange rate differences arising on the translation of inter-company loans.

r. Use of estimates

The preparation of financial statements requires the Executive Board to make estimates and assumptions that can affect the reported amounts of assets, liabilities, revenues, and expenses as well as amounts reported in the notes. Actual results may differ from these estimates.

The Executive Board has made judgments in the process of applying the company's accounting policies. Additionally, at the balance sheet date, the Executive Board made the following key assumptions concerning the future and has identified other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

a) Construction contracts: The accounting for construction contracts is based on estimations for costs and recoverable earnings. Although these estimations are based on all information available on the balance sheet date, substantial changes after the balance sheet date are possible. These changes could lead to adjustments of assets and may influence earnings in subsequent periods.

b) Employee benefits: The valuation of the various pension plans is based on a methodology using some parameters, including the expected discount rate, rate of compensation and pension increase, and return on plan assets. If the relevant parameters develop materially differently than expected, this could have a material impact on the company's defined benefit obligation and subsequently, on the net periodic pension cost.

c) Impairments: The impairment analysis for goodwill, other intangible assets, and tangible assets is principally based upon discounted estimated future cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates used could lead to impairments. Regarding the carrying value of goodwill, other intangible assets, and tangible assets, see note f (notes to the consolidated statement of financial position).

d) Management share option plans: The share option plans are measured based on the fair value of the options on the granting date. The estimated fair value of these options is based on parameters such as volatility, interest rate, share price, duration of the option, and expected dividend.

e) Deferred taxes: In assessing the recoverability of deferred tax assets, the Executive Board considers whether it is probable that all the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. If the company does not generate sufficient taxable income, deferred tax assets on loss carry forwards cannot be used and a valuation allowance will need to be recorded.

s. Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

E. SEGMENTS

Business areas

For management purposes, the Group is divided into five main business areas on a worldwide basis:

ANDRITZ HYDRO

Electromechanical systems – in particular, turbines, hydropower generators, and turbo generators – and services for new hydropower stations as well as for modernizations of existing hydropower stations; pumps for the pulp and paper industry and for other applications (drinking water supply, etc.).

ANDRITZ PULP & PAPER

Plants and services for the production of all types of pulp (chemical, mechanical, recycled fiber pulps), paper, board, tissue, and Medium Density Fiberboard (MDF); biomass boilers for power generation; systems for the production of plastic film.

ANDRITZ METALS

Production and finishing lines for metallic strip, especially for carbon and stainless steel.

ANDRITZ ENVIRONMENT & PROCESS

Plants, equipment, and services for solid/liquid separation for municipalities and industries (e.g. mining, chemical and petrochemical industries, food industry).

ANDRITZ FEED & BIOFUEL

Plants, equipment, and services for the production of animal feed and biomass pellets, especially wood pellets.

The strategic business areas are the basis upon which the Group reports its primary segment information. Financial information on business and geographical segments is presented according to IFRS 8 'Operating Segments' in section h (segment information).

The accounting and valuation principles of the segments are the same as those described in note d.

According to the internal reporting structure, which is the basis for the primary segment information, all sales and all direct and indirect expenses (including overhead and administrative costs) are allocated to business areas and reflect the management structure of the organization and the predominant sources of risks and returns. The key measure of operating performance for the Group is Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA). There are no material inter-segmental transactions. All consolidation entries are included in the relevant business area.

Transition encompasses corporate assets and liabilities as well as consolidation effects and eliminations.

External revenues allocated by geographical segments are based on the geographical location of the company's customers.

Revenues from transactions with a single external customer do not amount to 10% or more of the Group's revenues.

F. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Changes in intangible and tangible assets, goodwill, and shares in associated companies

Acquisitions or production costs

2010

<i>(in TEUR)</i>	Balance at January 1, 2010	Currency translation adjust- ments	Addi- tions	Change of consoli- dation range	Dis- pos- als	Trans- fers	Balance at December 31, 2010
Intangible assets	107,092	1,716	3,224	31,026	4,852	131	138,337
Land and buildings	234,040	6,459	7,227	24,568	1,712	5,125	275,707
Technical equipment and machinery	266,889	9,690	16,715	5,002	8,655	14,019	303,660
Other equipment, factory and office equipment	105,504	3,698	13,877	1,627	16,567	1,212	109,351
Assets under construction and advance payments	35,922	3,707	27,724	737	2,920	(20,487)	44,683
Total property, plant, and equipment	642,355	23,554	65,543	31,934	29,854	(131)	733,401
Total intangible and tangible assets	749,447	25,270	68,767	62,960	34,706	0	871,738

Changes in consolidation range include the acquisition of subsidiaries and changes in consolidation method of Group companies.

2009

<i>(in TEUR)</i>	Balance at January 1, 2009	Currency translation adjust- ments	Addi- tions	Change of consoli- dation range	Dis- pos- als	Trans- fers	Balance at December 31, 2009
Intangible assets	103,763	879	2,489	807	1,017	171	107,092
Land and buildings	221,791	660	9,500	14	4,819	6,894	234,040
Technical equipment and machinery	238,692	2,084	20,099	0	10,180	16,194	266,889
Other equipment, factory and office equipment	98,179	2,159	11,127	39	6,834	834	105,504
Assets under construction and advance payments	29,957	3,251	27,335	0	528	(24,093)	35,922
Total property, plant, and equipment	588,619	8,154	68,061	53	22,361	(171)	642,355
Total intangible and tangible assets	692,382	9,033	70,550	860	23,378	0	749,447

Depreciation and amortization

2010

<i>(in TEUR)</i>	Balance at January 1, 2010	Currency translation adjust- ments	Depreciation and amor- tization for the year	Change of consoli- dation range	Dis- pos- als	Trans- fers	Balance at Decem- ber 31, 2010
Intangible assets	62,874	1,239	16,991	7	4,852	36	76,295
Land and buildings	80,354	1,727	7,514	0	782	313	89,126
Technical equipment and machinery	148,835	3,283	24,391	75	8,935	(282)	167,367
Other equipment, factory and office equipment	67,165	1,908	12,910	(252)	12,789	(67)	68,875
Assets under construction and advance payments	11	(1)	0	0	0	0	10
Total property, plant, and equipment	296,365	6,917	44,815	(177)	22,506	(36)	325,378
Total intangible and tangible assets	359,239	8,156	61,806	(170)	27,358	0	401,673

2009

<i>(in TEUR)</i>	Balance at January 1, 2009	Currency translation adjust- ments	Depreciation and amor- tization for the year	Impair- ment	Dis- pos- als	Trans- fers	Balance at December 31, 2009
Intangible assets	47,372	362	14,613	703	232	56	62,874
Land and buildings	73,399	(312)	6,989	1,121	835	(8)	80,354
Technical equipment and machinery	129,025	(163)	22,694	1,906	5,393	766	148,835
Other equipment, factory and office equipment	58,450	711	14,114	1,067	6,363	(814)	67,165
Assets under construction and advance payments	11	0	0	0	0	0	11
Total property, plant, and equipment	260,885	236	43,797	4,094	12,591	(56)	296,365
Total intangible and tangible assets	308,257	598	58,410	4,797	12,823	0	359,239

Net book value

2010

<i>(in TEUR)</i>	Costs at December 31, 2009	Accumu- lated de- preciation	Net book value at December 31, 2010	Net book value at December 31, 2009
Intangible assets	138,337	76,295	62,042	44,218
Land and buildings	275,707	89,126	186,581	153,686
Technical equipment and machinery	303,660	167,367	136,293	118,054
Other equipment, factory and office equipment	109,351	68,875	40,476	38,339
Assets under construction and advance payments	44,683	10	44,673	35,911
Total property, plant, and equipment	733,401	325,378	408,023	345,990
Total intangible and tangible assets	871,738	401,673	470,065	390,208

Finance leases

The net book value for land and buildings includes an amount of TEUR 6,836, the net book value for technical equipment and machinery includes an amount of TEUR 1,034 (2009: TEUR 272) and the net book value for other equipment, factory and office equipment includes an amount of TEUR 19 (2009: TEUR 571) in respect of assets held under finance lease. The total of minimum lease payments at balance sheet date amounts to TEUR 11,993 (2009: TEUR 1,136). The lease contracts have terms from 24 up to 180 months.

Goodwill

The following table illustrates the changes in the carrying amount of goodwill for the periods ended December 31, 2010 and 2009:

<i>(in TEUR)</i>	
Goodwill at December 31, 2008	226,999
Currency translation adjustments	1,288
Change of consolidation range	0
Impairment	-7,922
Other Changes	-471
Goodwill at December 31, 2009	219,894
Currency translation adjustments	3,217
Change of consolidation range	31,952
Impairment	0
Other Changes	0
Goodwill at December 31, 2009	255,063

(in TEUR)	2010	2009
VA TECH HYDRO	97,843	97,837
ANDRITZ Ahlstrom	22,267	21,386
Acquisition of ANDRITZ AG	59,596	59,596
Other	75,357	41,075
	255,063	219,894

Impairment

For the financial year 2010 no impairment of goodwill was necessary. The value of the reporting unit was estimated using discounted cash flow forecasts with a weighted average cost of capital from 8.49% to 20.00%, respectively. In 2009, impairment of goodwill was at TEUR 7,922. Furthermore, in 2009 the company recorded impairment charges in the amount of TEUR 4,797 for intangible and tangible assets.

Shares in associated companies

Accumulated assets of material associated companies included in the consolidated balance sheet as of December 31, 2010 amounted to TEUR 188,029 (December 31, 2009: TEUR 149,591), total liabilities to TEUR 157,213 (December 31, 2009: TEUR 140,549), sales amounted to TEUR 49,173 (2009: TEUR 57,748) and net income amounted to TEUR -452 (2009: TEUR 765). The increase in assets relates mainly to the acquisition of an interest in Hammerfest Strøm AS, Norway, a company operating in the field of marine energy technology. The Group acquired 33.3% of the company's shares on August 13, 2010, with a call option for the remaining shares.

2. Non-current receivables and other non-current assets

Non-current receivables and other non-current assets consist of trade accounts receivable and other non-current receivables.

3. Inventories

(in TEUR)	2010	2009
Finished goods	45,020	52,993
Work in progress	131,410	141,966
Materials and supplies	158,482	124,921
	334,912	319,880

Impairment losses of TEUR 7,831 (2009: TEUR 7,909) were recognized for products in cases where the net realizable value (selling price less selling and administrative expenses) was less than the acquisition or production cost or for obsolete and slow-moving items.

4. Advance payments made

The advance payments made and presented in the balance sheet relate to open purchase orders for ongoing contracts.

5. Trade accounts receivable

Total trade receivables (net of allowances) at December 31, 2010 amounted to TEUR 517,240 (2009: TEUR 464,830), whereas the non-current portion is included in the balance sheet item non-current receivables and other non-current assets.

(in TEUR)	2010	2009
Trade accounts receivable – current	510,148	454,691
Trade accounts receivable – non-current	7,092	10,139
	517,240	464,830
Thereof neither past due nor impaired	350,571	306,282
Thereof past due but not impaired	162,285	147,659
Thereof impaired	26,738	34,129
Valuation allowance	(22,354)	(23,240)
	517,240	464,830

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed on an ongoing basis. About two-thirds of the trade receivables are neither past due nor impaired.

Included in the Group's trade receivable balance are debtors with a carrying amount of TEUR 162,285 (2009: TEUR 147,659) which are past due at the reporting date and for which the Group has not recognized any allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The roll-forward of the valuation allowance for trade accounts receivable is as follows:

<i>(in TEUR)</i>	2010	2009
Allowance at beginning of the year	(23,240)	(24,660)
Currency translation adjustments	(1,573)	(948)
Charged to expenses	(7,201)	(10,732)
Amounts written-off	6,293	6,220
Released	3,367	6,880
Allowance at the end of the year	(22,354)	(23,240)

The trade receivables past due but not impaired at December 31, were as follows:

<i>(in TEUR)</i>	2010	2009
Up to 60 days past due	98,171	90,574
61 to 120 days past due	18,044	21,210
More than 120 days past due	46,070	35,875
	162,285	147,659

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. This determination also regards collateralization of payments by bank guarantees and export insurance. The Executive Board believes that no further credit provision is required in excess of the allowance for doubtful debts already recognized.

6. Construction contracts

<i>(in TEUR)</i>	2010	2009
Contract revenue recognized as sales in the current period	2,462,148	2,227,104
Contract costs incurred and recognized profits (less recognized losses) to date	5,347,447	4,911,387
Advances received and progress billings	6,001,267	5,250,339
Amount of retentions	10,461	17,261

The receivables recorded under 'Cost and earnings of projects under construction in excess of billings' belong entirely to the category neither past due nor impaired.

7. Other receivables

<i>(in TEUR)</i>	2010	2009
Receivables from associated companies	5,645	3,394
Foreign exchange forward contracts at fair value	17,106	13,297
Commodity forward contracts at fair value	861	1,300
Receivables from value-added tax	62,986	50,852
Receivables from prepaid income taxes	19,513	18,503
Receivables from other taxes and charges	4,061	4,500
Prepayments and deferred charges	15,961	16,842
Other	158,243	120,358
	284,376	229,046
thereof other current receivables	252,159	201,378
thereof other non-current receivables	32,217	27,668
	284,376	229,046

The Executive Board considers that the carrying amount of other receivables corresponds to their fair value.

8. Retained earnings

Dividends

For 2010, a dividend of EUR 1.70 per outstanding share is proposed by the Executive Board. The dividend for 2009 of TEUR 51,741, which is equal to EUR 1.00 per share, was proposed by the Executive Board and was approved at the 103rd Annual General Meeting of Shareholders on March 26, 2010. The dividend was paid to the shareholders on April 4, 2010.

On February 24, 2011, the Executive Board authorized the consolidated financial statements for the year ended December 31, 2010 according to IFRS. On February 25, 2010, the Executive Board authorized submission of the consolidated financial statements for the year ended December 31, 2009 according to IFRS to its Supervisory Board. The Supervisory Board comprises members not employed within the Group and representatives of Group's employees. The consolidated financial statements were presented to the Supervisory Board and subsequently to the General Meeting of Shareholders.

Additional capital disclosures

ANDRITZ is committed to maintaining a strong financial profile, characterized by a conservative capital structure that gives excellent financial flexibility.

As of December 31, 2010 and 2009, equity and total assets of the company were as follows:

(in TEUR)	2010	2009
Total equity	794,380	663,492
Equity ratio	19.7%	20.0%
Total assets	4,035,768	3,309,283

ANDRITZ is not subject to any statutory capital requirements. Commitments exist to sell or otherwise issue common shares in connection with established share-based payment plans. In recent years, commitments from share-based payment have primarily been satisfied through buyback of the company's shares (see note 10).

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. Three bonds were issued in the past to safeguard the financial stability and also to build the foundation for further growth of the ANDRITZ GROUP. The capital structure of the Group consists of debt, which includes the borrowings, of cash and cash equivalents, and of equity attributable to equity holders of the parent, comprising share capital, capital reserves, and retained earnings.

The capital structure is reviewed on an ongoing basis. As a part of this review, the cost of capital and the risks associated with each class of capital are considered. Based on this, the Group will balance its overall capital structure through the payment of dividends, new share issues, and share buy-backs, as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2009.

9. Provisions

2010

(in TEUR)	Balance as of January 1, 2010	Currency translation adjustments	Change of consolidation range	Reclassification	Use	Reversal	Addition	Balance as of December 31, 2010
Provisions for severance payments	73,838	100	294	0	6,514	107	6,325	73,936
Provisions for pensions	61,456	1,703	11,477	0	2,572	(565)	(782)	71,847
Order-related non-current provisions	58,808	2,020	342	1,173	15,675	10,625	20,897	56,940
Other non-current provisions	15,754	253	246	59	537	192	662	16,245
Non-current provisions	209,856	4,076	12,359	1,232	25,298	10,359	27,102	218,968
Order-related current provisions	295,175	11,859	4,901	(1,232)	40,788	39,816	107,514	337,613
Other current provisions	24,913	1,124	1,192	0	5,850	654	5,446	26,171
Current provisions	320,088	12,983	6,093	(1,232)	46,638	40,470	112,960	363,784

2009

<i>(in TEUR)</i>	Balance as of January 1, 2009	Currency translation adjust- ments	Change of consoli- dation range	Reclassi- fication	Use	Rever- sal	Ad- dition	Balance as of Decem- ber 31, 2009
Provisions for severance payments	81,506	(17)	0	0	9,386	5	1,740	73,838
Provisions for pensions	68,341	832	0	0	4,276	945	(2,496)	61,456
Order-related non-current provisions	51,156	1,524	0	(2,344)	8,197	4,163	20,832	58,808
Other non-current provisions	16,144	130	(66)	0	677	24	247	15,754
Non-current provisions	217,147	2,469	(66)	(2,344)	22,536	5,137	20,323	209,856
Order-related current provisions	247,567	6,139	0	2,344	40,652	33,421	113,198	295,175
Other current provisions	12,558	260	0	0	7,044	2,896	22,035	24,913
Current provisions	260,125	6,399	0	2,344	47,696	36,317	135,233	320,088

Order-related provisions include primarily warranties, contingencies, and impending losses.

10. Employee benefit obligations

Pensions

Some Group companies provide defined benefit pension plans for some classes of employees. Provisions for pension obligations are established for benefits payable in the form of retirement, disability, and surviving dependent pensions. The benefits offered vary according to the legal, fiscal and economic conditions of each country. Benefits are dependent on years of service and, in some cases, on the respective employee's compensation.

The following table shows the changes of the pension benefit obligations for the years ended December 31, 2010 and 2009:

<i>(in TEUR)</i>	2010	2009
Defined benefit obligation as of January 1	167,131	170,449
Currency translation adjustments	17,145	2,993
Current service cost	6,576	5,444
Interest cost on obligations	7,998	7,603
Actuarial gains/losses	(1,887)	(2,031)
Benefits paid	(12,357)	(18,766)
Contributions by the plan participants	2,171	2,310
Past service cost	0	74
Effect of any curtailment or settlement	30	(945)
Change of consolidation range	11,477	0
Defined benefit obligation as of December 31	198,284	167,131
Fair value of plan assets	(126,437)	(105,675)
Accrued liability as of December 31	71,847	61,456

Total pension obligations of TEUR 198,284 (2009: TEUR 167,131) include TEUR 145,677 (2009: TEUR 114,194) that are covered in part or in full by investments in funds (plan assets).

The following table shows the development of the fair value of the plan assets:

<i>(in TEUR)</i>	2010	2009
Fair value of plan assets as of January 1	105,675	102,108
Currency translation adjustments	15,442	2,161
Expected return on plan assets	5,201	4,753
Actuarial gains/losses	1,688	2,481
Contributions by the employer	6,580	6,352
Contributions by the plan participants	2,171	2,310
Benefits paid	(9,785)	(14,490)
Effect of any curtailment or settlement	(535)	0
Fair value of plan assets as of December 31	126,437	105,675

The split of fair values of the plan assets is as follows:

(in TEUR)	2010	2009
Equity instruments	35,294	17,950
Debt instruments	54,372	57,258
Property	18,277	16,129
Other assets	18,494	14,338
	126,437	105,675

Pension expense is comprised of the following:

(in TEUR)	2010	2009
Current service cost	6,576	5,444
Past service cost	0	74
Effect of any curtailment or settlement	565	(945)
	7,141	4,573
Payments to defined contribution plans	18,471	17,944
	25,612	22,517

Principal actuarial assumptions used to determine pension obligations as of December 31, 2010 and 2009 were as follows:

(in %)	2010		2009	
	from	to	from	to
Discount rate	1.80	7.50	2.00	7.50
Wage and salary increases	1.00	5.98	1.00	4.67
Retirement benefit increases	2.00	3.75	0.25	3.25
Expected return on plan assets	1.06	7.50	2.00	6.25

The average expected return is assumed according to the portfolio structure of the plan assets, consideration of historical returns, as well as future estimates of long-term investment returns. In 2010, the actual return on plan assets was 5.88% (2008: actual return of 6.58%).

Experience adjustments are as follows:

(in TEUR)	2010	2009	2008	2007	2006
Present value of defined benefit obligation	198,284	167,131	170,449	143,350	147,136
Fair value of plan assets	126,437	105,675	102,108	86,385	87,818
Deficit of the plan	71,847	61,456	68,341	56,965	59,318
Experience adjustments of the defined benefit obligation	(9,085)	(7,489)	(15,112)	341	18
Experience adjustments of the plan assets	2,223	2,081	(1,895)	(917)	(165)

The expected payments to pension funds for defined benefits are TEUR 5,518 for the fiscal year 2011.

Severance payments

The following table shows the changes in the severance benefit obligations for the years ended December 31, 2010 and 2009:

(in TEUR)	2010	2009
Defined benefit obligation as of January 1	74,212	81,741
Currency translation adjustments	100	(17)
Current service cost	2,783	2,538
Interest cost on obligations	3,682	4,165
Actuarial gains/losses	(140)	(4,963)
Benefits paid	(6,228)	(9,247)
Effect of any curtailment or settlement	(107)	(5)
Change of consolidation range	294	0
Defined benefit obligation as of December 31	74,596	74,212
Fair value of plan assets	(660)	(374)
Accrued liability as of December 31	73,936	73,838

Severance expense is comprised of the following:

(in TEUR)	2010	2009
Current service cost	2,783	2,538
Effect of any curtailment or settlement	(107)	(5)
	2,676	2,533
Payments to defined contribution plans	1,430	1,148
	4,106	3,681

Experience adjustments are as follows:

(in TEUR)	2010	2009	2008	2007	2006
Present value of defined benefit obligation	74,596	74,212	81,741	80,075	75,043
Fair value of plan assets	660	374	235	145	0
Deficit of the plan	73,936	73,838	81,506	79,930	75,043
Experience adjustments of the defined benefit obligation	(65)	6,411	529	(5,264)	(1,808)
Experience adjustments of the plan assets	(16)	(9)	18	0	0

Principal actuarial assumptions used to determine severance obligations were the same as used for pension obligations.

Management share option plan

The 99th Annual General Meeting of Shareholders held on March 29, 2006 adopted a share option program for managers and members of the Executive Board. The number of options granted to the different managers varies depending on the area of responsibility, between 6,000, 10,000 and 20,000 shares for managers, to 40,000 for Executive Board members and 50,000 for the Chief Executive Officer (CEO). The options are to be drawn from the pool of shares bought back under the corporate share buy-back program. One share option entitles the holder to the purchase of one share. In order to exercise a share option, eligible persons must be in active employment with ANDRITZ AG or one of its affiliates from May 1, 2006 until before each date of exercise of an option. Another requirement is that managers must have invested at least EUR 20,000 in ANDRITZ shares from their own resources, and the members of the Executive Board at least EUR 40,000.

The exercise price of the option is the unweighted average closing price of ANDRITZ shares in the four calendar weeks following the 99th Annual General Meeting of Shareholders held on March 29, 2006.

The options could be exercised between May 1, 2008 and April 30, 2010 (= period of exercise) provided that the average unweighted closing price of the ANDRITZ share over twenty consecutive trading days within the period from May 1, 2008 to April 30, 2009 was at least 15% above the exercise price and the earnings per share in business year 2007 (based on the total number of shares listed); or that the earnings per share in business year 2008 (based on the total number of shares listed) are at least 15% above the earnings per share in business year 2005 (based on the total number of shares listed); or that the average unweighted closing price of the ANDRITZ share over twenty consecutive trading days within the period from May 1, 2009 to April 30, 2010 was at least 20% above the exercise price and the earnings per share in business year 2008 (based on the total number of shares listed) or the earnings per share in business year 2010 (based on the total number of shares listed) are at least 20% above the earnings per share in business year 2005 (based on the total number of shares listed).

If the conditions of exercise are met, 50% of the options could be exercised immediately, 25% after three months and the remaining 25% after a further three months. Share options could only be exercised by way of written notification to the company. The share options are not transferable. The shares purchased under the share option program are not subject to a ban on sales over a certain period.

The options granted in 2006 totalled 944,000. The fair value of the options at the time of granting amounts to TEUR 6,492, whereas no expense was incurred in 2010. Calculation of the fair value is based on the Black-Scholes option pricing model. The share price at the time of granting the options is the closing price of the ANDRITZ share on June 1, 2006 and amounts to EUR 32.44. The exercise price of EUR 31.67 was calculated in accordance with the rules of the option program. For the lifetime of the options a period of two years was assumed. The expected dividend yield was fixed at 2.5%, a discount rate of 4.5% was used. As expected volatility, the value released by the Vienna Stock Exchange was applied. Further parameters of granting the options were not used.

The 101st Annual General Meeting of Shareholders held on March 27, 2008 adopted another share option program for managers and members of the Executive Board. The number of options granted to the different managers varies depending on the area of responsibility, between 6,000, 10,000, and 20,000 shares for managers, to 40,000 for Executive Board members, and 50,000 for the Chief Executive Officer (CEO). The options are to be drawn from the pool of shares bought back under the corporate share buy-back program. One share option entitles the holder to the purchase of one share. In order to exercise a share option, eligible persons must be in active employment with ANDRITZ AG or one of its affiliates from May 1, 2008 until before each date of exercise of an option. Another requirement is that managers must have invested at least EUR 20,000 in ANDRITZ shares from their own resources, and the members of the Executive Board at least EUR 40,000.

The exercise price of the option is the unweighted average closing price of ANDRITZ shares in the four calendar weeks following the 101st Annual General Meeting of Shareholders held on March 27, 2008.

The options can be exercised between May 1, 2010 and April 30, 2012 (= period of exercise) provided that the average unweighted closing price of the ANDRITZ share over twenty consecutive trading days within the period from May 1, 2010 to April 30, 2011 is at least 15% above the exercise price and the earnings per share in business year 2009 (based on the total number of shares listed); or that the earnings per share in business year 2010 (based on the total number of shares listed) are at least 15% above the earnings per share in business year 2007 (based on the total number of shares listed); or that the average unweighted closing price of the ANDRITZ share over twenty consecutive trading days within the period from May 1, 2011 to April 30, 2012 is at least 20% above the exercise price and the earnings per share in business year 2010 (based on the total number of shares listed) or the earnings per share in business year 2011 (based on the total number of shares listed) are at least 20% above the earnings per share in business year 2007 (based on the total number of shares listed).

If the conditions of exercise are met, 50% of the options can be exercised immediately, 25% after three months, and the remaining 25% after a further three months. Share options can only be exercised by way of written notification to the company. The share options are not transferable. The shares purchased under the share option program are not subject to a ban on sales over a certain period.

The options granted in 2008 totalled 1,100,000. The fair value of the options at the time of granting amounts to TEUR 9,396, thereof TEUR 2,061 have been reported as proportionate expense in 2010. The calculation of the fair value is based on the Black-Scholes option pricing model. The share price at the time of granting the options is the closing price of the ANDRITZ share on May 5, 2008 and amounts to EUR 39.55. The exercise price of EUR 35.44 was calculated in accordance with the rules of the option program. For the lifetime of the options a period of two years was assumed. The expected dividend yield was fixed at 2.5%, a discount rate of 4.5% was used. As expected volatility, the value released by the Vienna Stock Exchange was applied. Further parameters of granting the options were not used.

The 103rd Annual General Meeting of Shareholders held on March 26, 2010 adopted another share option program for managers and members of the Executive Board. The number of options granted to the different managers varies depending on the area of responsibility, between 6,000, 10,000, 15,000, and 20,000 shares for managers, to 40,000 for Executive Board members, and 50,000 for the Chief Executive Officer (CEO). The options are to be drawn from the pool of shares bought back under the corporate share buy-back program. One share option entitles the holder to the purchase of one share. In order to exercise a share option, eligible persons must be in active employment with ANDRITZ AG or one of its affiliates from May 1, 2010 until before each date of exercise of an option. Another requirement is that managers must have invested at least EUR 20,000 in ANDRITZ shares from their own resources, and the members of the Executive Board at least EUR 40,000.

The exercise price of the option is the unweighted average closing price of ANDRITZ shares in the four calendar weeks following the 103rd Annual General Meeting of Shareholders held on March 26, 2010.

The options can be exercised between May 1, 2013 and April 30, 2015 (= period of exercise) provided that the average unweighted closing price of the ANDRITZ share over twenty consecutive trading days within the period from May 1, 2012 to April 30, 2013 is at least 15% above the exercise price and the earnings per share in business year 2011 (based on the total number of shares listed); or that the earnings per share in business year 2012 (based on the total number of shares listed) are at least 15% above the earnings per share in business year 2009 (based on the total number of shares listed); or that the average unweighted closing price of the ANDRITZ share over twenty consecutive trading days within the period from May 1, 2013 to April 30, 2014 is at least 20% above the exercise price and the earnings per share in business year 2012 (based on the total number of shares listed) or the earnings per share in business year 2013 (based on the total number of shares listed) are at least 20% above the earnings per share in business year 2009 (based on the total number of shares listed).

If the conditions of exercise are met, 50% of the options can be exercised immediately, 25% after three months, and the remaining 25% after a further three months. Share options can only be exercised by way of written notification to the company. The share options are not transferable. The shares purchased under the share option program are not subject to a ban on sales over a certain period.

The options granted in 2010 totalled 1,033,000. The fair value of the options at the time of granting amounts to TEUR 8,362, thereof TEUR 1,626 have been reported as proportionate expense in 2010. The calculation of the fair value is based on the Black-Scholes option pricing model. The share price at the time of granting the options is the closing price of the ANDRITZ share on May 4, 2010 and amounts to EUR 44.68. The exercise price of EUR 46.36 was calculated in accordance with the rules of the option program. For the lifetime of the options a period of three years was assumed. The expected dividend yield was fixed at 2.5%, a discount rate of 4.8% was used. As expected volatility, the value released by the Vienna Stock Exchange was applied. Further parameters of granting the options were not used.

Movements in options under the stock option plans for financial years 2010 and 2009 were as follows:

	2010		2009	
	Number of options	Average exercise price per option (in EUR)	Number of options	Average exercise price per option (in EUR)
Total at the beginning of the year	1,334,000	34.68	1,678,000	34.14
Options granted	1,033,000	46.36	0	0
Options exercised	(238,000)	31.67	(310,000)	31.67
Options forfeited	(50,000)	33.18	(34,000)	35.44
Total at the end of the year	2,079,000	40.87	1,334,000	34.68
Exercisable at year-end	0	0.00	268,000	31.67

11. Statement of liabilities

2010

	Remaining term less than 1 month	Remaining term between 1 and 3 months	Remaining term between 4 and 12 months	Remaining term between 1 and 5 years	Remaining term over 5 years	Total
<i>(in TEUR)</i>						
Bonds	0	0	0	372,880	0	372,880
Bank loans and other financial liabilities	20,340	6,246	13,083	14,706	4,422	58,797
Obligations under finance leases	66	145	537	1,638	6,525	8,911
	20,406	6,391	13,620	389,224	10,947	440,588

2009

	Remaining term less than 1 month	Remaining term between 1 and 3 months	Remaining term between 4 and 12 months	Remaining term between 1 and 5 years	Remaining term over 5 years	Total
<i>(in TEUR)</i>						
Bonds	0	0	0	212,136	159,417	371,553
Bank loans and other financial liabilities	25,745	4,312	1,053	20,816	1,140	53,066
Obligations under finance leases	23	96	247	736	0	1,102
	25,768	4,408	1,300	233,688	160,557	425,721

The interest-bearing borrowings consist primarily of current bank loans at floating interest rates and fixed rates.

Property, plant, and equipment amounting to TEUR 3,414 and TEUR 3,414 as of 31 December 2010 and 2009, respectively, have been pledged as security for long-term debt.

There are no material credit defaults in the ANDRITZ GROUP; all of the financial liabilities are settled in general on the due date.

The Executive Board considers that the carrying amount of liabilities corresponds to their fair value.

12. Other liabilities

<i>(in TEUR)</i>	2010	2009
Payables due to associated companies	2,246	1,459
Personnel-related costs and similar liabilities	127,131	106,513
Outstanding invoices for order-related costs	354,950	250,449
Deferred income	4,623	1,801
Foreign exchange forward contracts at fair value	26,080	15,622
Liabilities from value-added tax	31,576	23,283
Liabilities from commissions	6,673	7,417
Other	148,531	126,153
	701,810	532,697
thereof other current liabilities	687,171	509,394
thereof other non-current liabilities	14,639	23,303
	701,810	532,697

Other non-current liabilities include trade accounts payable of TEUR 1,353 (2009: TEUR 1,557). The Executive Board considers that the carrying amount of other liabilities corresponds to their fair value.

13. Sales

<i>(in TEUR)</i>	2010	2009
Contract revenue recognized as sales in the current period	2,462,149	2,227,104
Other	1,091,638	970,413
	3,553,787	3,197,517

14. Other operating income

<i>(in TEUR)</i>	2010	2009
Profit on disposal of intangible and tangible assets	2,811	991
Exchange rate gains	24,781	12,487
Rental income	2,893	2,866
Other	41,806	36,532
	72,291	52,876

15. Personnel expenses

<i>(in TEUR)</i>	2010	2009
Wages and salaries	649,298	592,378
Pension expenses	25,613	22,517
Severance expenses	4,105	3,681
Social security and payroll-related duties	112,116	102,312
Other social payments	36,325	39,523
	827,457	760,411

16. Other operating expenses

<i>(in TEUR)</i>	2010	2009
Exchange rate losses	26,177	15,094
Sales expenses	207,675	187,999
Administrative expenses	38,096	32,990
Rents and leases	35,171	33,266
Change of allowance of trade receivables	7,201	10,732
Loss on disposal of intangible and tangible assets	981	1,543
Other	139,981	141,699
	455,282	423,323

17. Financial result

<i>(in TEUR)</i>	2010	2009
Income/(expense) from associated companies	156	(1,339)
Interest and similar income	22,155	23,154
Interest and similar expenses	(20,044)	(22,665)
Interest result	2,111	489
Other financial income/(expense), net	180	3,409
	2,447	2,559

Interest and similar expenses include TEUR 6,446 (2009: TEUR 6,888) interest cost on pension and severance obligations as well as expected return on plan assets.

18. Income taxes

<i>(in TEUR)</i>	2010	2009
Current tax expense	(82,902)	(60,661)
Changes in deferred taxes charged to the income statement	11,944	13,945
	(70,958)	(46,716)

Changes in the deferred income tax account consist of the following:

<i>(in TEUR)</i>	2010	2009
Deferred tax assets	89,171	76,246
Deferred tax liabilities	(89,955)	(89,992)
Balance as of December 31, as previously stated	(784)	(13,746)
Deferred taxes relating to the origination and reversal of temporary differences		
income statement charge	11,944	13,945
charged to equity	748	(983)
	11,908	(784)
thereof		
Deferred tax assets	91,704	89,171
Deferred tax liabilities	(79,796)	(89,955)

The reconciliation of the effective tax rate to the tax rate used is as follows:

<i>(in TEUR)</i>	2010	2009
Earnings Before Taxes (EBT)	247,927	149,628
Tax at the applicable tax rate (25% in 2010 and 25% in 2009)	(61,982)	(37,407)
Non-deductible impairment of goodwill		(3,082)
Tax effect of		
change in tax rate and foreign tax rate differential	(4,155)	2,783
other changes	(4,821)	(9,010)
	(70,958)	(46,716)
Current tax expense	(82,902)	(60,661)
Changes in deferred taxes charged to the income statement	11,944	13,945

Deferred tax assets and liabilities for deferred taxes as of December 31, 2010 and 2009 are the result of the following temporary valuation differences between book values in the IFRS consolidated financial statements and the relevant tax bases:

	2010		2009	
	Deferred tax		Deferred tax	
(in TEUR)	assets	liabilities	assets	liabilities
Intangible assets	1,861	(11,452)	1,363	(8,389)
Property, plant, and equipment	7,130	(14,914)	7,457	(12,397)
Financial assets	24	(10,953)	4	(19,394)
Inventories	391,100	(2,502)	400,452	(2,620)
Receivables and other assets	8,082	(81,680)	29,379	(92,206)
	408,197	(121,501)	438,655	(135,006)
Provisions	79,604	(28,341)	88,806	(29,533)
Liabilities	56,805	(391,651)	37,736	(418,780)
	136,409	(419,992)	126,542	(448,313)
Tax loss carry-forwards	68,959	0	66,983	0
Deferred tax assets and liabilities	613,565	(541,493)	632,180	(583,319)
Valuation allowance for deferred tax assets	(60,164)	0	(49,645)	0
Offset within legal tax units and jurisdiction	(461,697)	461,697	(493,364)	493,364
Net deferred tax assets and liabilities	91,704	(79,796)	89,171	(89,955)

In assessing the recoverability of deferred tax assets, management considers whether it is probable that all the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Executive Board considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Executive Board believes it is probable that the company will realize the benefits of the recognized deductible differences and operating loss carry-forwards. Within the financial year no significant deferred tax assets were recognized due to losses suffered by an entity in either the current or preceding period in the relevant tax jurisdiction.

19. Earnings per share

Basic earnings per share (see consolidated income statement) are calculated by dividing the net income for the period attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period. Diluted basic earnings per share are calculated by dividing the net income for the period attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period with consideration of share options.

H. SEGMENT INFORMATION

Segment information is prepared on the following basis:

Business areas

The ANDRITZ GROUP conducts its business activities through the following business areas:

- a. HYDRO (HY)
- b. PULP & PAPER (PP)
- c. METALS (ME)
- d. ENVIRONMENT & PROCESS (EP)
- e. FEED & BIOFUEL (FB)

Geographical segments

The Group's activities are conducted predominantly in Europe, North America, South America, and Asia.

2010 Business area data

(in TEUR)	HY	PP	ME	EP	FB	Transition	Total
Sales	1,579,230	1,105,279	340,150	375,444	153,682	0	3,553,787
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)	139,930	98,354	21,196	34,816	12,989	0	307,286
Total assets	1,471,102	599,380	171,741	336,195	100,868	1,356,482	4,035,768
Total liabilities	1,477,853	726,389	186,326	172,761	51,256	626,802	3,241,388
Capital expenditure	41,438	17,944	1,879	5,692	1,815	0	68,767
Depreciation, amortization, and impairment of intangible assets and property, plant, and equipment*	30,224	19,150	3,381	7,109	1,942	0	61,806
Share of net profit/(loss) of associates		(31)			187	0	156
Shares in associated companies	11,819	8,307	1,188		795	0	22,110

* Depreciation, amortization, and impairment of intangible assets and property, plant, and equipment includes TEUR 12,158, which refers to amortization of identifiable intangible assets acquired in a business combination and recognized separately from goodwill.

Geographical segment data

(in TEUR)	Europe	North America	South America	Asia	Rest of the world and consolidation	Total
External sales	1,361,957	549,974	524,407	998,969	118,480	3,553,787
Total assets	5,198,791	562,679	576,879	525,500	(2,828,081)	4,035,768
Capital expenditure	43,705	5,340	7,663	11,682	378	68,767

2009 Business area data

(in TEUR)	HY	PP	ME	EP	FB	Transition	Total
Sales	1,378,035	903,330	473,378	322,605	120,169	0	3,197,517
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)	120,897	41,964	23,157	29,333	2,847	0	218,198
Total assets	1,167,590	560,423	215,837	230,968	75,731	1,058,734	3,309,283
Total liabilities	1,052,713	500,486	171,975	107,773	41,509	771,335	2,645,791
Capital expenditure	44,521	14,921	2,011	5,675	3,422	0	70,550
Depreciation, amortization, and impairment of intangible assets and property, plant, and equipment*	28,463	24,967	3,233	4,693	1,851	0	63,207
Share of net profit/(loss) of associates		(1,923)		602	(18)	0	(1,339)
Shares in associated companies		5,978		2,810	609	0	9,397

* Depreciation, amortization, and impairment of intangible assets and property, plant, and equipment includes TEUR 9,109, which refers to amortization of identifiable intangible assets acquired in a business combination and recognized separately from goodwill.

Geographical segment data

(in TEUR)	Europe	North America	South America	Asia	Rest of the world and consolidation	Total
External sales	1,440,600	511,049	347,532	769,861	128,475	3,197,517
Total assets	4,293,477	475,991	330,815	393,593	(2,184,593)	3,309,283
Capital expenditure	35,025	5,288	13,532	16,331	374	70,550

I. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows from acquisition of subsidiaries*

(in TEUR)	Business Area			Total	Total
	HY	PP	EP	2010	2009
Intangible assets	7,121	8,181	15,787	31,089	807
Property, plant, and equipment	15,836	840	13,000	29,676	53
Inventories	12,282	805	21,585	34,672	697
Trade and other receivables excluding financial assets	7,066	4,510	14,963	26,539	18
Liabilities excluding financial liabilities	(21,813)	(10,683)	(44,132)	(76,628)	(1,065)
Non-interest bearing net assets	20,492	3,653	21,203	45,348	510
Marketable securities	738	1,716	0	2,454	0
Cash and cash equivalents	1,448	101	20,760	22,309	0
Fixed financial assets	0	544	2,276	2,820	0
Interest bearing borrowings	(9,353)	0	(10,580)	(19,933)	0
Goodwill	6,790	9,181	15,981	31,952	0
Total purchase price	20,115	15,195	49,640	84,950	510
Purchase price paid	(18,115)	(12,461)	(49,640)	(80,216)	(510)
Changes in receivables due to acquisitions in prior years not affecting net income	0	0	0	0	17,749
Cash and cash equivalents acquired	1,448	101	20,760	22,309	0
Net cash flow	(16,667)	(12,360)	(28,880)	(57,907)	17,239
Liabilities from purchase price not paid	(2,000)	0	0	(2,000)	0
Gain from change from proportionate consolidation to full consolidation	0	(2,734)	0	(2,734)	0
Purchase price not paid in cash	(2,000)	(2,734)	0	(4,734)	0

* Converted by using exchange rates as per dates of transaction.

Due to step up of the investment in Sindus Manutenção e Sistemas Industriais Ltda. from 50% to 100% and revaluation of the company's assets and liabilities to the fair value according to IFRS 3, a gain of TEUR 2.734 was recorded in Other operating income in the income statement.

The purchase contract of the 51% investment in Precision Machine & Supply, Inc. included both a call and a put option to acquire the remaining shares in the company. The put option was recorded as a financial liability in the amount of the present value of future payments for the acquisition. The financial liability was reclassified from non-controlling interests. Thus, no material amounts are shown for 2010 as non-controlling interests.

The initial accounting for the businesses acquired in 2010 is based on preliminary figures according to IFRS 3 (revised) 'Business Combinations'.

The investment in ANDRITZ-Kenflo Foshan Pump Co. Ltd. was increased to 100% and in ANDRITZ-Wolfensberger Special Alloy Foundry Co., Ltd. to 95%. The amount for non-controlling interests was reduced accordingly by TEUR 3,181.

J. FINANCIAL INSTRUMENTS

a. Risk management

As a global company serving a variety of different markets and customers, the Group is subject to certain general and industry-specific risks. These risks mainly relate to the industries the Group serves (e.g. uncertainty of future contracts, volatility of incoming orders, customer concentration, etc.), the Group's business (e.g. currency exposure, competitive position, legal proceedings, etc.), and to major orders (e.g. payment risks, liabilities, performance of projects, cost overruns, etc.).

ANDRITZ has a long-established Group-wide management steering committee whose main task is to identify nascent risks at an early stage and to take countermeasures. This is an important element in the active risk management system within the Group.

Despite having this monitoring and risk management system in place, it cannot be guaranteed that all risks will be identified at an early stage, and consequently the financial situation of the Group could be adversely affected.

The essential risks for the business development of the ANDRITZ GROUP in 2011 relate above all to the Group's dependence on the general economic development and the development of the industries it serves, to whether major orders are received and to the risks they entail, and to whether adequate sales proceeds are realized from the high order backlog. In addition, unexpected increases in costs and difficulties in achieving the guaranteed performance parameters in the plants that ANDRITZ supplies present substantial risks during project execution. The financial difficulties and the continuing difficult overall economic development (particularly in Europe and the USA) also constitute a serious risk for the ANDRITZ GROUP's financial development. In addition, a possible slowdown in economic activities in the emerging markets also presents a risk to the Group. The weak economy may lead to further delays in the execution of existing orders and to the postponement or cancellation of existing projects. Cancellations of existing contracts could adversely affect the ANDRITZ GROUP's order backlog, which would in turn have a negative impact on utilization of the Group's manufacturing capacities.

Complete or partial goodwill impairments resulting from acquisitions may also influence the earnings development of the ANDRITZ GROUP if the targeted financial goals for these companies cannot be reached. In addition, there is always some risk that partial or full provisions will have to be made for some trade accounts receivable.

For the majority of orders, the risk of payment failure by customers is mitigated by means of bank guarantees and export insurance, but individual payment failures can have a substantial negative impact on earnings development of the Group. Risks related to deliveries to countries with medium to high political risks typically are also insured to a large extent. Interest and exchange rate risks are minimized and controlled by derivative financial instruments, in particular forward exchange contracts and swaps.

The Group enters into forward foreign exchange contracts to manage its foreign exchange risk resulting from cash flows from current business activities. Transaction risk is calculated in each foreign currency and includes currency denominated assets and liabilities and certain off-balance-sheet items such as highly probable future cash flows or firm commitments and highly probable purchases, and sales. The currency risks of the Group occur due to the fact that the Group's operations, production sites and markets are located in several countries. The Group carries its forward exchange contracts at fair value.

Cash flow risks are minimized by the Group's cash management system which controls incoming and outgoing cash flows of all relevant ANDRITZ affiliates. It also monitors the Group's cash pooling activities in order to optimize net financing income. The Group manages liquidity risks especially by holding adequate reserves, by issuing bonds, by receiving substantial customer advances, and by constantly monitoring the predicted and actual cash flows, as well as reconciling maturity date profiles of financial assets and liabilities.

b. Liquidity risks

In order to further reduce the financial risks and to enhance monitoring, control, and assessment of its financial and liquidity position, the ANDRITZ GROUP has continuously improved its treasury guidelines and information system.

The ANDRITZ GROUP's position in terms of liquidity is very good; the Group has sufficient liquidity reserves and secures access to liquidity. The Group avoids dependence on one single or only a few banks. To ensure independence, no bank will receive more than a certain defined amount of the business in any important product (cash and cash equivalents, financial liabilities, financial assets, guarantees, and derivatives).

Cash is largely invested in low-risk financial assets, such as government bonds, government guaranteed bonds, investment funds to cover pension obligations, or term deposits. However, the financial market crisis and its effects have led to unfavorable price developments for various securities in which the Group has invested (e.g. money market funds, bonds) or made them nontradeable. This could have an adverse effect on the ANDRITZ GROUP's financial result or shareholders' equity due to necessary depreciation or value adjustments. The crisis has also heightened the risk of default by some issuers of securities, as well as by customers.

c. Credit risks

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits, and monitoring procedures. Where appropriate, the Group obtains guarantees from governmental export agencies or similar private institutions to reduce the risk of a counterpart defaulting.

Credit risk associated with the investment of liquid funds and securities is low, as a wide distribution with simultaneously defined minimum criteria for the creditworthiness of the contractual partners are determining factors for the conservative investment strategy.

For certain financial assets and financial liabilities, the Group has a legally enforceable right to set off. These amounts are only reported on a net basis. For all known risks, valuation allowances are included. It is not possible to exclude the possibility of a future shortfall in payment exceeding the recorded valuation allowance. Without considering risk minimization strategies as described above, the carrying amounts of financial assets recorded in the financial statements represent the Group's maximum exposure to credit risk of the corresponding categories.

<i>(in TEUR)</i>	2010	2009*
Held for trading	53,297	40,109
Available for sale	409,392	375,019
Loans and receivables	1,089,566	1,040,953
Cash and cash equivalents	1,187,946	709,532
	2,740,201	2,165,613

* In the table above, cost and earnings of projects under construction in excess of billings and billings in excess of cost and earnings of projects under construction are included. Amounts for the previous year have been adjusted.

No impairment was recorded in the category available for sale (2009: TEUR 0). The trade receivables in the category loans and receivables are impaired by TEUR 22,354 (balance 2009: TEUR 23,240).

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The three largest customers contribute less than 15% of all incoming orders in various strategic business areas. Due to the extraordinarily large amount of order intake for the Ilisu order in the HYDRO business area, the three largest orders amount to 28% of this business area's order intake. On an overall basis, there is no significant concentration of credit risk.

d. Interest risk

In June 2006, the company issued bonds for a nominal value of MEUR 200 with a repayment period of seven years and a nominal interest rate of 4.5% p.a. For this bond interest swaps have been used to hedge the risk arising from the fixed interest rate of the bond. The interest swaps change the fixed interest rate for the whole period to a variable interest rate based on the 1 month's Euribor. Therefore, there is the risk of a changing interest rate concerning the cash flows, but the fair value of the bond is hedged and hedge accounting in the sense of IAS 39 was applied.

In February 2008, the company issued another bond for a nominal value of MEUR 150 with a repayment period of seven years and a nominal interest rate of 5.25% p.a. For this bond interest swaps have been used to hedge the risk arising from the fixed interest rate of the bond. The interest swaps change the fixed interest rate for the whole period to a variable interest rate based on the 3 month's Euribor. Therefore, there is the risk of a changing interest rate concerning the cash flows, but the fair value of the bond is hedged and hedge accounting in the sense of IAS 39 was applied.

The basic contractual parameters of the swaps are similar to those of the bonds, and therefore the hedges were 100% effective in hedging the fair value exposure to interest rate movements during the period. By applying the rules for hedge accounting, the gain or loss from the swaps to fair value was recognized through profit or loss. The gain or loss attributable to the changes of the hedged interest rate risk caused an adjustment of the bonds' carrying amounts and was also recognized through profit or loss. Therefore, the gains and losses resulting from the changes in fair value of the swaps and the bonds offset each other.

The details on the change in the fair value of the swaps designated as fair value hedge are as follows:

<i>(in TEUR)</i>	2010	2009
Fair value swap end of previous period	21,553	19,023
Fair value swap end of current period	22,880	21,553
Gain/(loss) recognized through profit or loss	1,327	2,530

The Executive Board believes that the exposure to interest rate risk of remaining financial assets and liabilities is negligible. Consequently, additional material derivative instruments for hedging these interest risks are not used within the Group. The weighted average interest rates at the balance sheet date were as follows:

(in %)	2010	2009*
Cash on current accounts	0.8	0.6
Short-term deposits	1.3	1.2
Securities, short-term	1.2	1.8
Securities, long-term	2.4	2.0
Overdrafts on current accounts	7.4	5.0
Short-term loans	6.7	6.6
Long-term loans	2.7	3.6
Bonds	1.5	2.2

* Interest rates refer to the maturity date of the respective financial asset / liability. Data for the previous year is adapted.

e. Sensitivity analyses

The Group's activities are exposed primarily to the financial risks of changes in foreign currency, changes in fair value and changes in interest rates. The Group enters into financial derivatives to manage its exposure to foreign currency risk and the risk of changes in fair values. These market risk exposures are measured using sensitivity analyses:

Foreign currency sensitivity

Sensitivity analyses provide an approximate quantification of the exposure in the event that certain specified parameters were to be met under a specific set of assumptions. The Group is mainly exposed to the US dollar (USD) and the Swiss franc (CHF). The following explanations detail the Group's sensitivity to a rise or fall in the US Dollar and Swiss franc against the Euro (EUR). The change represents the amount applied on internal reporting of foreign currency risk and represents the Executive Board's assessment of the possible change in foreign exchange rates. The sensitivity analyses include the material outstanding foreign currency denominated monetary items. The impacts on the net income compared to the net income recognized and on the equity compared to the equity stated, respectively, are as follows:

(in TEUR)	2010	2009
Rise in USD against EUR by 10%	(1,848)	(498)
Fall in USD against EUR by 10%	698	199
Rise in CHF against EUR by 10%	(1,096)	(514)
Fall in CHF against EUR by 10%	507	1,112

The changes of the net income compared to the reported net income comprises mainly the fair values of the forward foreign exchange contracts in US dollar and Swiss franc calculated with new foreign exchange rates.

Interest rate sensitivity

The sensitivity analyses have been determined based on the bonds' exposure to interest rates. There is no risk of a changing interest rate concerning the cash flows for the company as the issuer of the fixed-interest bearing bonds, although there is the risk of changes in the fair value of the bonds. The company entered into swaps to hedge against this risk of changes in the fair value so that, on a net basis, the Group has the liability to pay a variable interest rate based on 1 month's Euribor and 3 month's Euribor, respectively.

A 100 basis point change in interest rate is used when reporting interest rate risk internally to key management personnel and represents the Executive Board's assessment of the possible change in interest rates.

If interest rates had been 100 basis points higher and all other variables were held constant, this would have caused a decrease of the fair value of the swaps in the amount of TEUR 10,728 (2009: decrease of TEUR 13,090). This change would be offset by a basis adjustment of the bonds in the same amount.

If interest rates had been 100 basis points lower and all other variables were held constant, this would have caused an increase of the fair value of the swaps in the amount of TEUR 11,394 (2009: increase of TEUR 15,815). This change would be offset by a basis adjustment of the bonds in the same amount.

A rise in the interest level by 100 basis points by simultaneously keeping constant all other variables would have led to an increase of the interest result of TEUR 9,345 in the business year 2010 (2009: rise by TEUR 5,313). A decline in the interest level would have led to a decrease of the interest result in the same amount.

f. Fair value of financial instruments

The following table discloses the carrying values of financial instruments with their fair values per class:

<i>(in TEUR)</i>	Carrying value December 31, 2010	Market value December 31, 2010	Carrying value December 31, 2009**	Market value December 31, 2009**
ASSETS				
Other investments				
Available for sale	2,664	2,664	2,474	2,474
Loans and receivables	17,322	17,322	20,141	20,141
Receivables and other assets				
Loans and receivables	1,072,244	1,072,244	1,020,812	1,020,812
At fair value through profit and loss – trading*	53,297	53,297	40,109	40,109
Marketable securities				
Available for sale	406,728	406,728	372,545	372,545
Cash and cash equivalents	1,187,946	1,187,946	709,532	709,532
	2,740,201	2,740,201	2,165,613	2,165,613
LIABILITIES				
Financial liabilities				
Measured at amortized costs	372,880	372,880	371,553	371,553
At fair value through profit and loss – designation	58,797	58,797	53,066	53,066
Not allocated to any IAS-39 valuation category	8,911	8,911	1,102	1,102
Trade accounts payable				
Measured at amortized costs	305,340	305,340	260,337	260,337
Other liabilities				
At fair value through profit and loss – trading	34,377	34,377	21,448	21,448
Measured at amortized costs	1,661,139	1,661,139	1,234,088	1,234,088
	2,441,444	2,441,444	1,941,594	1,941,594

* Thereof hedging of cash flows TEUR 861 (2009: TEUR 1,300).

** In the table above, cost and earnings of projects under construction in excess of billings and billings in excess of cost and earnings of projects under construction are included. Amounts for the previous year have been adjusted.

The following table discloses the IAS 39 valuation categories for the financial instruments:

<i>(in TEUR)</i>	Carrying value December 31, 2010	Market value December 31, 2010	Carrying value December 31, 2009**	Market value December 31, 2009**
FINANCIAL ASSETS				
Cash and cash equivalents	1,187,946	1,187,946	709,532	709,532
At fair value through profit and loss – trading				
Derivatives*	40,847	40,847	36,150	36,150
Embedded derivatives	12,450	12,450	3,959	3,959
Available for sale				
Non-current securities	2,664	2,664	2,474	2,474
Marketable securities	406,728	406,728	372,545	372,545
Loans and receivables				
Loans granted	5,884	5,884	4,200	4,200
Investments in other companies	11,438	11,438	15,941	15,941
Non-current receivables and other non-current assets	16,429	16,429	16,254	16,254
Trade accounts receivable	510,148	510,148	454,691	454,691
Cost and earnings of projects under construction in excess of billings	339,886	339,886	383,887	383,887
Other receivables and assets – current	205,781	205,781	165,980	165,980
	2,740,201	2,740,201	2,165,613	2,165,613
FINANCIAL LIABILITIES				
At fair value through profit and loss – trading				
Derivatives	26,080	26,080	15,622	15,622
Embedded derivatives	8,297	8,297	5,826	5,826
At fair value through profit and loss – designation				
Bonds	372,880	372,880	371,553	371,553
Financial liabilities measured at amortized costs				
Bank loans and other financial liabilities	58,797	58,797	53,066	53,066
Trade accounts payable	305,340	305,340	260,337	260,337
Billings in excess of cost and earnings of projects under construction	993,706	993,706	722,839	722,839
Other liabilities	667,433	667,433	511,249	511,249
Other liabilities, not allocated to any IAS 39 valuation category				
Obligations under finance leases	8,911	8,911	1,102	1,102
	2,441,444	2,441,444	1,941,594	1,941,594

* Thereof hedging of cash flows TEUR 861 (2009: TEUR 1,300).

** In the table above, cost and earnings of projects under construction in excess of billings and billings in excess of cost and earnings of projects under construction are included. Amounts for the previous year have been adjusted.

The bonds are recognized at fair value as hedge accounting (fair value hedge) is applied.

The following table allocates our financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy. It distinguishes fair value measurements by the significance of the inputs used and reflects the availability of observable market inputs when estimating fair values.

2010

<i>(in TEUR)</i>	Total at December 31, 2010	thereof level 1	thereof level 2	thereof level 3
FINANCIAL ASSETS				
At fair value through profit and loss – trading				
Derivatives	40,847		40,847	
Embedded derivatives	12,450		12,450	
Available for sale				
Non-current securities	2,664	2,664		
Marketable securities	406,728	406,728		
	462,689	409,392	53,297	0
FINANCIAL LIABILITIES				
At fair value through profit and loss – trading				
Derivatives	26,080		26,080	
Embedded derivatives	8,297		8,297	
At fair value through profit and loss – designation				
Bonds	372,880			372,880
	407,257	0	34,377	372,880

2009

<i>(in TEUR)</i>	Total at December 31, 2009	thereof level 1	thereof level 2	thereof level 3
FINANCIAL ASSETS				
At fair value through profit and loss – trading				
Derivatives	36,150		36,150	
Embedded derivatives	3,959		3,959	
Available for sale				
Non-current securities	2,474	2,474		
Marketable securities	372,545	372,545		
	415,128	375,019	40,109	0
FINANCIAL LIABILITIES				
At fair value through profit and loss – trading				
Derivatives	15,622		15,622	
Embedded derivatives	5,826		5,826	
At fair value through profit and loss – designation				
Bonds	371,553			371,553
	393,001	0	21,448	371,553

The levels of the fair value hierarchy and its application to our financial assets and liabilities are described below:

Level 1:

Quoted prices in active markets for identical assets or liabilities.

Level 2:

Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3:

Inputs for the asset or liability that are not based on observable market data.

Reconciliation of the financial instruments at fair value classified at level 3 is as follows:

<i>(in TEUR)</i>	2010	2009
Opening balance	371,553	369,023
Gains and losses in income statement*	1,327	2,530
Issues	0	0
Settlements	0	0
Closing balance	372,880	371,553
Total gains and losses for liabilities at the end of the period	1,327	2,530

* without consideration of gains or losses from the concluded swaps

Fair value calculation

The fair value of foreign exchange forward contracts is determined using forward exchange market rates at the balance sheet date.

At the balance sheet date, the fair values of foreign exchange forward contracts with banks were as follows:

<i>(in TEUR)</i>	2010	2009
Forward contracts with positive fair values	17,106	13,297
Forward contracts with negative fair values	(26,080)	(15,622)
	(8,974)	(2,325)

The remaining terms of the foreign exchange forward contracts are as follows:

<i>(in TEUR)</i>	not exceeding 1 year	more than 1 year	Total 2010	Total 2009
US dollars	840	(1,324)	(484)	2,194
Swiss francs	(328)	(6,148)	(6,476)	(100)
Euros	(1,157)	291	(866)	(2,713)
Other currencies	(684)	(464)	(1,148)	(1,706)
	(1,329)	(7,645)	(8,974)	(2,325)

At the balance sheet date, the fair values of the embedded derivatives were as follows:

<i>(in TEUR)</i>	2010	2009
Embedded derivatives with positive fair values	12,450	3,959
Embedded derivatives with negative fair values	(8,297)	(5,826)
	4,153	(1,867)

The remaining terms of the embedded derivatives are as follows:

<i>(in TEUR)</i>	not exceeding 1 year	more than 1 year	Total 2010	Total 2009
US dollars	(536)	1,093	557	(1,912)
Swiss francs	(142)	4,797	4,655	(466)
Euros	(642)	(198)	(840)	89
Other currencies	(51)	(168)	(219)	422
	(1,371)	5,524	4,153	(1,867)

The fair value of the interest swaps presenting a total fair value as of December 31, 2010 was TEUR 22,880 (2009: TEUR 21,553).

The fair value of the commodity forward contracts presenting a total fair value as of December 31, 2010 was TEUR 861 (2009: TEUR 1,300). Thereof contracts representing an amount of TEUR 722 have a remaining term of less than one year (in 2009 TEUR 1,232).

Cash and cash equivalents, current and non-current financial assets

The carrying amount of cash and other financial assets approximates the fair value due to the relatively short-term maturity of these financial instruments.

Non-current and current securities

The fair values of publicly traded instruments are based on quoted market prices. Non-current securities of the Group are classified as available for sale and are valued at their quoted market price at the balance sheet date.

Receivables and payables

The historical carrying amounts of receivables and payables which are all subject to normal trade credit terms correspond basically to their fair values.

Short-term borrowings

The carrying amount approximates the fair value because of the short period to maturity of those instruments.

Long-term borrowings

The fair value of the long-term debts is based on the current interest rates available for debt with the same maturity profile. The fair value of non-current borrowings and other payables with variable interest rates approximates their carrying amounts. The risks of the changes in fair value have been hedged by interest rate swaps. The management believes that the exposure to interest rate risk of the remaining financial assets and liabilities is negligible.

IAS 39 reserve

The table below shows the movements in the IAS 39 reserve in equity:

<i>(in TEUR)</i>	Unrealized gain (loss) on hedging activities	Unrealized gain (loss) on securities	Unrealized gain (loss) total IAS 39 reserve
Balance as of December 31, 2008	(4,622)	(215)	(4,837)
Gains and losses from changes in fair value	2,837	223	3,060
Deferred income taxes thereon	(709)	(65)	(774)
Transfers to income statement	4,626	318	4,944
Deferred income taxes thereon	(1,157)	(79)	(1,236)
Balance as of December 31, 2009	975	182	1,157
Gains and losses from changes in fair value	792	1,200	1,992
Deferred income taxes thereon	(198)	(288)	(486)
Transfers to income statement	(1,232)	(121)	(1,353)
Deferred income taxes thereon	308	30	338
Balance as of December 31, 2010	645	1,003	1,648

The net gains and losses for each category of financial instruments are as follows:

2010

<i>(in TEUR)</i>	Held for trading	Held for trading	Available for sale
	Derivatives	Embedded derivatives	Securities
Changes in fair values recognized in profit or loss	(4,090)	6,020	121
Changes in fair values recognized in equity	792	0	1,200
Recycling out of equity	(1,232)	0	(121)
Net gains/(losses)	(4,530)	6,020	1,200

2009

<i>(in TEUR)</i>	Held for trading	Held for trading	Available for sale
	Derivatives	Embedded derivatives	Securities
Changes in fair values recognized in profit or loss	2,503	(7,938)	(318)
Changes in fair values recognized in equity	2,837	0	223
Recycling out of equity	4,626	0	318
Net gains/(losses)	9,966	(7,938)	223

K. LEASES

The Group has entered into various operating lease agreements for machinery, offices, and other facilities as lessee. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt, or further leasing.

Future minimum lease payments under non-cancellable operating leases are as follows:

(in TEUR)	2010	2009
Not exceeding 1 year	19,411	17,241
1 year to 5 years	35,895	37,464
After 5 years	12,614	9,409
	67,920	64,114

L. COMMITMENTS

Commitments arising from contracts for expenditure on property, plant, and equipment are only incurred in the ordinary course of business. As of December 31, 2010, these commitments amounted to TEUR 10,170 (2009: to TEUR 12,850).

M. CONTINGENT LIABILITIES AND OFF-BALANCE SHEET TRANSACTIONS

Various legal actions and claims are pending or may be asserted in the future against Group companies incidental to the ordinary course of the Group's business. These actions and claims typically involve project-related disputes, intellectual property matters, labor matters and product liability issues. Although the outcome of an action or claim cannot be ascertained with precision, the management believes, subject to the following paragraph, that the outcome of these legal actions and claims, individually or in the aggregate, should not have a material adverse effect on the company's business, liquidity, result of operations, or financial position.

As of December 2010, ANDRITZ Inc., as subsidiary of the company, was one of many defendants in a total of 39 asbestos cases in the US. Nearly all of these cases involve claims against multiple defendants. On aggregate, the cases involve a total of 424 plaintiffs. ANDRITZ Inc. plans to vigorously defend each claim. As the vast majority of claims against ANDRITZ Inc. have not as yet been stated with specificity, it is not possible for ANDRITZ Inc. to assess the full extent of its potential exposure to asbestos litigation. Through December 31, 2010 ANDRITZ Inc. has not had a judgment of liability rendered against it in connection with an asbestos claim. 106 asbestos cases and 20,694 claims against ANDRITZ have been dismissed without any liability, and two cases have been resolved without ANDRITZ incurring any significant liability. It is possible that the final adjudication or settlement of such proceedings will have an adverse effect on the company's business, results of operations, and financial condition.

There are no take-back obligations other than the guarantee claims customary within the industry. The management is not aware of any further risks and rewards originating from off-balance sheet transactions.

With the contract concerning financial restructuring of AE&E Austria GmbH & Co KG dated December 16, 2010 an amount of TEUR 23,000 at most was taken over as commitment for payment obligations and contractual obligations of ANDRITZ Energy & Environment GmbH. ANDRITZ AG acquired the shares in ANDRITZ Energy & Environment GmbH effectively with the letter of acceptance dated January 5, 2011.

N. RELATED PARTY TRANSACTIONS

Only minor business relations exist with the shareholders. The shareholders are:

Free float	71%
Certus Beteiligungs-GmbH	29%

Transactions with associated companies and non-consolidated companies were not material. As the Group's transfer-pricing policy provides for transfer pricing at arm's length, no transactions are conducted that do not comply with market standards.

Transactions with companies in which members of the Supervisory Board of ANDRITZ AG are active are concluded at third-party conditions and are immaterial in scope.

Emoluments of the Executive Board

A provision of TEUR 4,178 in 2010 (TEUR 4,056 in 2009) was recorded for pensions of former members of the Executive Board and their dependants; the current year expense for these pensions amounted to TEUR 458 for 2010 (TEUR 75 for 2009).

The following expenses have been recognized for the Executive Board:

(in TEUR)	2010	2009
Short-term benefits	8,375	6,364
Post-employment benefits	611	544
Share-based expenses	737	974
	9,723	7,882

The members of the Supervisory Board received remunerations in the amount of TEUR 113 (2009: TEUR 125).

O. EXPENSES FOR SERVICES RENDERED BY THE GROUP AUDITOR

The expenses for services rendered by the group auditor comprise the following:

(in TEUR)	2010	2009
Year-end audit	273	208
Tax advisory services	81	52
	354	260

P. SUBSEQUENT EVENTS

ANDRITZ Energy & Environment GmbH and the financial rehabilitation body of AE&E Austria GmbH & Co KG set up an agreement for take-over of certain assets and orders. ANDRITZ AG is liable for fulfilment of this contractual agreement to an amount of TEUR 23,000 at most. After approval by anti-trust authority ANDRITZ AG acquired the shares in ANDRITZ Energy & Environment GmbH with letter of acceptance dated January 5, 2011. As per February 1, 2011, about 320 employees of the insolvent AE&E Austria GmbH. were taken over. In February 2011, an injection into capital reserve of ANDRITZ Energy & Environment GmbH amounting to TEUR 20,000 was made. A further increase of equity is planned by increasing the subscribed capital to an amount of TEUR 10,000.

Q. LIST OF SUBSIDIARIES

Company	Headquarters	Interest	Type of consolidation	Remarks
Anstalt für Strömungsmaschinen GmbH	Graz, Austria	100%	NC	1)
ANDRITZ Technology and Asset Management GmbH	Graz, Austria	100%	FC	
ANDRITZ Finance GmbH	Vienna, Austria	100%	FC	
ANDRITZ Power & Water GmbH	Vienna, Austria	100%	FC	
European Mill Service GmbH	Graz, Austria	50%	NC	1)
ANDRITZ R&M Service S.R.L.	Bucharest, Romania	25%	NC	1)
ANDRITZ HYDRO GmbH	Vienna, Austria	100%	FC	
ANDRITZ HYDRO S.A.S.	Grenoble, France	100%	FC	
ANDRITZ HYDRO Pvt. Ltd.	Bhopal, India	100%	FC	
ANDRITZ Deutschland Beteiligungs GmbH	Krefeld, Germany	100%	FC	
ANDRITZ GmbH	Hemer, Germany	100%	FC	
ANDRITZ Kaiser GmbH	Bretten-Gölshausen, Germany	100%	FC	
ANDRITZ Sundwig GmbH	Hemer, Germany	75%	FC	
ANDRITZ Fiedler GmbH	Regensburg, Germany	100%	FC	
ANDRITZ Fiedler Holding S.A.R.L.	Scorbé Clairvaux, France	100%	FC	
ANDRITZ Separation GmbH	Cologne, Germany	100%	FC	
ANDRITZ - Jochman s.r.o.	Spišská Nová Ves, Slovakia	100%	FC	
ANDRITZ Fließbett Systeme GmbH	Ravensburg, Germany	100%	FC	
Lenser Verwaltungs GmbH	Senden, Germany	100%	FC	
ANDRITZ S.R.L.	Cisnadie, Romania	100%	EQ	
Lenser Filtration GmbH	Senden, Germany	100%	FC	
Lenser Asia Sdn. Bhd.	Selangor, Malaysia	100%	FC	
ANDRITZ HYDRO GmbH	Ravensburg, Germany	100%	FC	
ANDRITZ Küsters GmbH	Krefeld, Germany	100%	FC	
ANDRITZ Kufferath GmbH	Düren, Germany	100%	FC	
AKRE Real Estate GmbH	Düren, Germany	100%	FC	
ANDRITZ Maerz GmbH	Düsseldorf, Germany	100%	FC	
ANDRITZ Rollteck GmbH	Krefeld, Germany	100%	FC	

Company	Headquarters	Interest	Type of consolidation	Re-marks
ANDRITZ KMPT GmbH	Vierkirchen, Germany	100%	FC	
KMPT UK Ltd.	Warrington, United Kingdom	100%	FC	
ANDRITZ KMPT Inc.	Florence, Delaware, USA	100%	FC	
KMPT Service & Trade (Shanghai) Co. Ltd.	Shanghai, China	100%	NC	1)
KMPT Italia S. r. l.	Milan, Italy	100%	FC	
KMPT France S.A.S.	Poissy Cedex, France	100%	FC	
ANDRITZ Ritz GmbH	Schwäbisch Gmünd, Germany	100%	FC	
Ritz Atro GmbH	Roding, Germany	100%	FC	
Ritz Pumps Pte Ltd.	Singapore, Singapore	100%	FC	
Ritz Pumps South Africa (Pty) Ltd.	Boksburg, South Africa	23%	NC	1)
ANDRITZ Classic Immobilien GmbH & Co. KG	Krefeld, Germany	100%	FC	
TANIAM GmbH & Co. KG	Pullach im Isartal, Germany	100%	FC	
ANDRITZ HYDRO S.L.	Madrid, Spain	100%	FC	
ANDRITZ HYDRO S.r.l.	Vicenza, Italy	100%	FC	
ANDRITZ HYDRO AOSTA S.r.l.	Aosta, Italy	100%	NC	1)
ANDRITZ HYDRO AG	Kriens, Switzerland	100%	FC	
ANDRITZ HYDRO S.A. de CV.	Morelia, Mexico	100%	FC	
ANDRITZ HYDRO AS	Jevnaker, Norway	100%	FC	
ANDRITZ HYDRO Brasil Ltda.	São Paulo, Brazil	100%	FC	
ANDRITZ HYDRO Ltd. Sirketi	Ankara, Turkey	100%	FC	
PT. ANDRITZ HYDRO	Jakarta, Indonesia	51%	FC	
ANDRITZ HYDRO S.A.	Lima, Peru	100%	NC	1)
ANDRITZ HYDRO (Pty) Ltd.	Bedfordview, South Africa	100%	NC	1)
ANDRITZ HYDRO Ltda.	Bogotá, Colombia	100%	NC	1)
ANDRITZ HYDRO s.r.o.	Prague, Czech Republic	100%	NC	1)
ANDRITZ INDIA PRIVATE LIMITED	Faridabad, India	100%	NC	1)
ANDRITZ HYDRO C.A.	Caracas, Venezuela	100%	NC	1)
ANDRITZ POWER Sdn. Bhd.	Kuala Lumpur, Malaysia	30%	FC	
ANDRITZ HYDRO Inc.	Makati City, Philippines	100%	NC	1)
The Hydro Equipment Association Limited	London, Great Britain	33,3%	NC	1)
HGI Holdings Limited	Limassol, Cyprus	100%	EQ	
AP Anlage-Projektierungs AG	Bülach, Switzerland	100%	FC	
ANDRITZ Separation (India) Private Ltd.	Chennai, India	100%	FC	
PK Limba spol. S.r.o.	Hradec Králové, Czech Republic	100%	NC	1)
ACB Entwicklungsgesellschaft mbH	Vienna, Austria	24%	NC	1)
ANDRITZ FEED & BIOFUEL A/S	Esbjerg, Denmark	100%	FC	
ANDRITZ FEED & BIOFUEL Brasil Ltda.	Porto Alegre, Brazil	100%	NC	1)
ANDRITZ FEED & BIOFUEL s.r.o.	Humenné, Slovakia	100%	EQ	
ANDRITZ Chile Ltda.	Santiago de Chile, Chile	100%	FC	
ANDRITZ (USA) Inc.	Roswell, Georgia, USA	100%	FC	
ANDRITZ Inc.	Roswell, Georgia, USA	100%	FC	
ANDRITZ Finance Inc.	Tualatin, Oregon, USA	100%	FC	
Delta Holding Corporation	Tualatin, Oregon, USA	100%	FC	
ANDRITZ Separation Inc.	Arlington, Texas, USA	100%	FC	
ANDRITZ Automation Inc.	Decatur, Georgia, USA	100%	FC	
ANDRITZ HYDRO Corp.	Charlotte, North Carolina, USA	100%	FC	
Andritz Precision Machine and Supply Inc.	Spokane, Idaho, USA	51%	FC	
ANDRITZ S. A. S.	Vélizy, France	100%	FC	
ANDRITZ Selas S.A.S.	Asnières-sur-Seine, France	100%	FC	
Lenser Filtration S.A.R.L.	Haguenau, France	100%	FC	
Jaybee Eng. (Holdings) Pty. Ltd.	Victoria, Australia	100%	FC	
ANDRITZ Pty. Ltd.	Victoria, Australia	100%	FC	
ANDRITZ Ingeniería S.A.	Madrid, Spain	100%	FC	
ANDRITZ Brasil Ltda.	Curitiba, Brazil	100%	FC	
ANDRITZ Separation Industria e Comércio de Equipamentos de Filtração Ltda.	Pomerode, Brazil	100%	FC	
Sindus Manutenção e Sistemas Industriais Ltda.	Porto Alegre, Brazil	100%	FC	
Sindus ANDRITZ Uruguay S.A.	Río Negro, Uruguay	100%	NC	1)
ANDRITZ Hydro Inepar do Brasil S.A.	São Paulo, Brazil	50%	FC	
ANDRITZ Pílão Equipamentos Ltda.	São Paulo, Brazil	100%	FC	
ANDRITZ Oy	Helsinki, Finland	100%	FC	
Savonlinna Works Oy	Savonlinna, Finland	100%	FC	
ANDRITZ HYDRO Oy	Tampere, Finland	100%	FC	
Carbona Oy	Helsinki, Finland	80%	EQ	
Warkaus Works Oy	Varkaus, Finland	50%	EQ	
Enmas ANDRITZ Private Ltd.	Chennai, India	40%	EQ	

Company	Headquarters	Interest	Type of consolidation	Remarks
ANDRITZ HYDRO Canada Inc.	Stoney Creek, Ontario, Canada	100%	FC	
ANDRITZ HYDRO Canada Ltd./Ltee,	Pointe Claire, Quebec, Canada	100%	FC	
ANDRITZ HYDRO Installations Inc.	Lachine, Quebec, Canada	100%	NC	1)
ANDRITZ Ltd./Ltée.	Lachine, Quebec, Canada	100%	FC	
ANDRITZ Paper Machinery Ltd.	Lachine, Quebec, Canada	100%	FC	
ANDRITZ Automation Ltd.	Richmond, British Columbia, Canada	100%	FC	
IDEAS Simulation & Control Ltd.	Richmond, British Columbia, Canada	100%	FC	
ANDRITZ AB	Örnsköldsvik, Sweden	100%	FC	
ANDRITZ Lynson AB	Vallentuna, Sweden	100%	FC	
ANDRITZ HYDRO AB	Näliden, Sweden	100%	FC	
ANDRITZ Ltd.	Staffordshire, Great Britain	100%	FC	
ANDRITZ Selas UK Ltd.	Derbyshire, Great Britain	100%	FC	
ANDRITZ-Kenflo Foshan Pump Co. Ltd.	Foshan, China	100%	FC	
ANDRITZ Technologies Ltd.	Foshan, China	100%	FC	
ANDRITZ-Wolfensberger Special Alloy Foundry Co., Ltd.	Foshan, China	95%	FC	
ANDRITZ Technologies H.K. Ltd.	Hong Kong, China	100%	FC	
ANDRITZ THERMTEC Holding B.V.	Rotterdam, The Netherlands	100%	FC	
ANDRITZ THERMTEC B.V.	Rotterdam, The Netherlands	100%	FC	
ANDRITZ Technologies Private Limited	Bangalore, India	100%	EQ	
ANDRITZ FEED & BIOFUEL Ltd.	Hull, Great Britain	100%	FC	
ANDRITZ FEED & BIOFUEL B.V.	Geldrop, The Netherlands	100%	FC	
ANDRITZ B.V.	Den Helder, The Netherlands	100%	FC	
ANDRITZ 3SYS AG	Wohlen, Switzerland	100%	FC	
ANDRITZ Singapore Pte. Ltd.	Singapore, Singapore	100%	FC	
ANDRITZ (Thailand) Limited	Bangkok, Thailand	100%	FC	
ANDRITZ Uruguay S.A.	Río Negro, Uruguay	100%	FC	
ANDRITZ Industrias S.A.	Río Negro, Uruguay	100%	NC	1)
ANDRITZ Pulp Technologies Punta Pereira S.A.	Montevideo, Uruguay	100%	NC	1)
ANDRITZ K.K.	Tokyo, Japan	100%	FC	
ANDRITZ (Pty) Ltd.	Bedfordview, South Africa	100%	FC	
Delkor Capital Equipment (Pty) Ltd.	Sandown, South Africa	100%	FC	
GKD Delkor (Pty) Ltd.	Sandown, South Africa	100%	NC	1)
PT. ANDRITZ	Jakarta, Indonesia	100%	FC	
ANDRITZ Australia Pty. Ltd.	Victoria, Australia	100%	NC	1)
LLC ANDRITZ	St. Petersburg, Russia	100%	FC	
LLC ANDRITZ Hydro	Moscow, Russia	100%	NC	1)
ANDRITZ Kufferath s.r.o.	Levice, Slovakia	100%	FC	
ANDRITZ Kft.	Tiszaécske, Hungary	100%	FC	
Andritz Perfojet S.A.S.	Grenoble, France	100%	FC	
ANDRITZ Biax S.A.S.	Paris, France	100%	FC	
Andritz Frautech S. r. l.	Vicenza, Italy	100%	FC	
Larvik Cell Holding AS	Larvik, Norway	100%	NC	1)
Larvik International Pte. Ltd., Singapore	Singapore, Singapore	100%	NC	1)
ANDRITZ Biax GmbH	Graz, Austria	100%	NC	1)
Modul Systeme Engineering AG	Laufen, Germany	50%	EQ	
Modul Systeme Projekt Verwaltungs GmbH	Laufen, Germany	50%	EQ	
Modul Systeme Projekt GmbH & Co. KG	Laufen, Germany	50%	EQ	
Modul Seeger Verwaltungs GmbH	Laufen, Germany	25%	EQ	
Springer Maschinen und Reparatur-Service GmbH	Springe, Germany	33%	EQ	
Hammerfest Strøm AS	Hammerfest, Norway	33%	EQ	

1) immaterial

FC ... Full consolidation

EQ ... Equity accounting

NC ... No Consolidation

Graz, February 24, 2011

Wolfgang Leitner
President and CEO

Franz Hofmann

Karl Hornhofer

Humbert Köfler

Friedrich Papst



ANDRITZ AG

Stattegger Straße 18
8045 Graz, Austria
Phone: +43 (316) 6902 0
Fax: +43 (316) 6902 415
welcome@andritz.com
www.andritz.com

Corporate
Communications &
Investor Relations:
Petra Wolf
Phone: +43 (316) 6902 2722
petra.wolf@andritz.com

andritz.com

BUSINESS AREAS

HYDRO
contact-hydro@andritz.com

PULP & PAPER
yvonne.pfeiffer@andritz.com

METALS
claudia.stingl@andritz.com

ENVIRONMENT & PROCESS
Separation Technologies:
bettina.haring@andritz.com

Thermal Processes:
nicole.stix@andritz.com

FEED & BIOFUEL
mary.skov@andritz.com

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Certain statements contained in the annual report 2010 and annual financial report 2010 constitute 'forward-looking statements.' These statements, which contain the words 'believe', 'intend', 'expect', and words of a similar meaning, reflect the Executive Board'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.

The annual report 2010 and the annual financial report 2010 contain assumptions and forecasts which were based on the information available up to the copy deadline on February 25, 2011. If the premises for these assumptions and forecasts do not occur, or risks indicated in the chapter 'Corporate risks' and in the status report in the annual financial report 2010 do arise, actual results may vary from the forecasts made in the annual report 2010 and annual financial report 2010.

Although the greatest caution was exercised in preparing data, all information related to the future is provided without guarantee.

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FINANCIAL CALENDAR 2011

► **March 08** Results for the financial year 2010 ► **March 29** Annual General Meeting in Graz, Austria ► **March 31** Ex-dividend ► **April 04** Dividend payment

The financial calendar with updates, as well as information on the ANDRITZ share, can be found on the Investor Relations page at the ANDRITZ website: www.andritz.com/share

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Stattegger Strasse 18, 8045 Graz, Austria

Phone: +43 (316) 6902 2722, investors@andritz.com

