FINANCIAL REPORT
Q1-Q3 2014

ANDRITZ

KEY FINANCIAL FIGURES OF THE ANDRITZ GROUP

	Unit	Q1-Q3 2014	Q1-Q3 2013	+/-	Q3 2014	Q3 2013	+/-	2013
Order intake	MEUR	4,571.6	4,051.3	+12.8%	1,591.5	1,525.3	+4.3%	5,611.0
Order backlog (as of end of period)	MEUR	7,702.2	7,464.5	+3.2%	7,702.2	7,464.5	+3.2%	7,388.5
Sales	MEUR	4,122.9	4,144.6	-0.5%	1,463.5	1,534.5	-4.6%	5,710.8
Return on sales[1]	%	4.3	2.8	-	5.6	3.3	-	1.6
EBITDA[2]	MEUR	298.9	229.3	+30.4%	123.2	93.3	+32.0%	255.2
EBITA[3]	MEUR	234.4	167.0	+40.4%	101.0	70.1	+44.1%	164.1
Earnings Before Interest and Taxes (EBIT)	MEUR	176.0	116.2	+51.5%	81.6	50.3	+62.2%	89.8
Earnings Before Taxes (EBT)	MEUR	174.3	110.8	+57.3%	81.6	48.0	+70.0%	80.3
Net income (including non-controlling interests)	MEUR	122.0	77.6	+57.2%	57.1	32.8	+74.1%	53.2
Net income (without non-controlling interests)	MEUR	123.6	78.8	+56.9%	56.9	31.9	+78.4%	66.6
Cash flow from operating activities	MEUR	225.6	-81.1	+378.2%	176.6	5.4	+3,170.4%	93.7
Capital expenditure[4]	MEUR	61.9	65.5	-5.5%	27.4	21.1	+29.9%	111.4
Employees (as of end of period; without apprentices)	-	24,468	23,939	+2.2%	24,468	23,939	+2.2%	23,713
Fixed assets	MEUR	1,761.7	1,744.4	+1.0%	1,761.7	1,744.4	+1.0%	1,759.0
Current assets	MEUR	4,166.0	3,610.7	+15.4%	4,166.0	3,610.7	+15.4%	3,812.4
Shareholders' equity[5]	MEUR	1,002.4	961.7	+4.2%	1,002.4	961.7	+4.2%	929.5
Provisions	MEUR	937.6	917.4	+2.2%	937.6	917.4	+2.2%	993.6
Liabilities	MEUR	3,987.7	3,476.0	+14.7%	3,987.7	3,476.0	+14.7%	3,648.3
Total assets	MEUR	5,927.7	5,355.1	+10.7%	5,927.7	5,355.1	+10.7%	5,571.4
Equity ratio[6]	%	16.9	18.0	-	16.9	18.0	-	16.7
Return on equity[7]	%	17.4	11.5	-	8.1	5.0	-	8.6
Return on investment[8]	%	3.0	2.2	-	1.4	0.9	-	1.6
Liquid funds[9]	MEUR	1,666.6	1,410.9	+18.1%	1,666.6	1,410.9	+18.1%	1,517.0
Net liquidity[10]	MEUR	1,013.8	782.3	+29.6%	1,013.8	782.3	+29.6%	893.1
Net debt[11]	MEUR	-691.2	-467.6	-47.8%	-691.2	-467.6	-47.8%	-585.0
Net working capital[12]	MEUR	-607.0	-435.6	-39.3%	-607.0	-435.6	-39.3%	-539.4
Capital employed[13]	MEUR	333.1	584.1	-43.0%	333.1	584.1	-43.0%	443.6
Gearing[14]	%	-69.0	-48.6	-	-69.0	-48.6	-	-62.9
EBITDA margin	%	7.2	5.5	-	8.4	6.1	-	4.5
EBITA margin	%	5.7	4.0	-	6.9	4.6	-	2.9
EBIT margin	%	4.3	2.8	-	5.6	3.3	-	1.6
Net income[15]/sales	%	3.0	1.9	-	3.9	2.1	-	0.9
EV[16]/EBITDA	-	11.3	16.3	-	27.4	40.1	-	15.1
Depreciation and amortization/sales	%	3.0	2.7	-	2.8	2.8	-	2.8

1) EBIT (Earnings Before Interest and Taxes)/sales 2) Earnings Before Interest, Taxes, Depreciation and Amortization 3) Earnings Before Interest, Taxes, Amortization of identifiable assets acquired in a business combination and recognized separately from goodwill at the amount of 58,406 TEUR (50,827 TEUR for Q1-Q3 2013, 70,529 TEUR for 2013) and impairment of goodwill at the amount of 0 TEUR (0 TEUR for Q1-Q3 2013, 3,800 TEUR for 2013) 4) Additions to intangible assets and property, plant, and equipment 5) Total shareholders' equity incl. non-controlling interests 6) Shareholders' equity/total assets 7) EBT (Earnings Before Taxes)/shareholders' equity 8) EBIT (Earnings Before Interest and Taxes)/total assets 9) Cash and cash equivalents plus marketable securities plus loans against borrowers' notes 10) Liquid funds plus fair value of interest rate swaps minus financial liabilities 11) Interest bearing liabilities including provisions for severance payments, pensions, and jubilee payments minus cash and cash equivalents, marketable securities and loans against borrowers' notes 12) Non-current receivables plus current assets (excluding cash and cash equivalents as well as marketable securities and loans against borrowers' notes) minus other non-current liabilities and current liabilities (excluding financial liabilities and provisions) 13) Net working capital plus intangible assets and property, plant, and equipment 14) Net debt/total shareholders' equity 15) Net income (including non-controlling interests) 16) EV (Enterprise Value): market capitalization based on closing price as of end of period minus net liquidity

All figures according to IFRS. Due to the utilization of automatic calculation programs, differences can arise in the addition of rounded totals and percentages. MEUR = million euros. TEUR = thousand euros.

The Schuler Group was consolidated into the consolidated financial statements of the ANDRITZ GROUP as of March 1, 2013.

KEY FINANCIAL FIGURES OF THE BUSINESS AREAS

HYDRO	Unit	Q1-Q3 2014	Q1-Q3 2013	+/-	Q3 2014	Q3 2013	+/-	2013
Order intake	MEUR	1,166.0	1,221.6	-4.6%	351.4	367.3	-4.3%	1,865.4
Order backlog (as of end of period)	MEUR	3,575.5	3,637.4	-1.7%	3,575.5	3,637.4	-1.7%	3,722.4
Sales	MEUR	1,232.2	1,301.5	-5.3%	426.8	450.9	-5.3%	1,804.8
EBITDA	MEUR	114.5	121.2	-5.5%	42.8	44.9	-4.7%	176.8
EBITDA margin	%	9.3	9.3	-	10.0	10.0	-	9.8
EBITA	MEUR	91.7	99.3	-7.7%	34.9	38.0	-8.2%	146.9
EBITA margin	%	7.4	7.6	-	8.2	8.4	-	8.1
Employees (as of end of period; without apprentices)	-	8,080	7,712	+4.8%	8,080	7,712	+4.8%	7,445

PULP & PAPER	Unit	Q1-Q3 2014	Q1-Q3 2013	+/-	Q3 2014	Q3 2013	+/-	2013
Order intake	MEUR	1,629.6	1,417.3	+15.0%	572.4	602.3	-5.0%	1,907.7
Order backlog (as of end of period)	MEUR	2,101.7	1,956.0	+7.4%	2,101.7	1,956.0	+7.4%	1,885.6
Sales	MEUR	1,369.9	1,456.7	-6.0%	500.6	524.5	-4.6%	2,005.3
EBITDA	MEUR	85.5	8.2	+942.7%	35.7	-1.8	+2,083.3%	-11.5
EBITDA margin	%	6.2	0.6	-	7.1	-0.3	-	-0.6
EBITA	MEUR	66.9	-9.2	+827.2%	29.1	-7.7	+477.9%	-35.7
EBITA margin	%	4.9	-0.6	-	5.8	-1.5	-	-1.8
Employees (as of end of period; without apprentices)	-	7,340	7,075	+3.7%	7,340	7,075	+3.7%	7,136

METALS*	Unit	Q1-Q3 2014	Q1-Q3 2013	+/-	Q3 2014	Q3 2013	+/-	2013
Order intake	MEUR	1,328.1	958.3	+38.6%	530.2	423.8	+25.1%	1,233.8
Order backlog (as of end of period)	MEUR	1,631.4	1,500.3	+8.7%	1,631.4	1,500.3	+8.7%	1,427.6
Sales	MEUR	1,111.8	962.9	+15.5%	389.5	413.7	-5.8%	1,311.0
EBITDA	MEUR	87.0	90.2	-3.5%	36.8	45.1	-18.4%	76.6
EBITDA margin	%	7.8	9.4	-	9.4	10.9	-	5.8
EBITA	MEUR	69.8	74.7	-6.6%	31.1	37.4	-16.8%	53.5
EBITA margin	%	6.3	7.8	-	8.0	9.0	-	4.1
Employees (as of end of period; without apprentices)	-	6,202	6,309	-1.7%	6,202	6,309	-1.7%	6,300

* The Schuler Group was consolidated into the consolidated financial statements of the ANDRITZ GROUP as of March 1, 2013 and is allocated to the METALS business area.

SEPARATION	Unit	Q1-Q3 2014	Q1-Q3 2013	+/-	Q3 2014	Q3 2013	+/-	2013
Order intake	MEUR	447.9	454.1	-1.4%	137.5	131.9	+4.2%	604.1
Order backlog (as of end of period)	MEUR	393.6	370.8	+6.1%	393.6	370.8	+6.1%	352.9
Sales	MEUR	409.0	423.5	-3.4%	146.6	145.4	+0.8%	589.7
EBITDA	MEUR	11.9	9.7	+22.7%	7.9	5.0	+58.0%	13.3
EBITDA margin	%	2.9	2.3	-	5.4	3.4	-	2.3
EBITA	MEUR	6.0	2.2	+172.7%	5.9	2.4	+145.8%	-0.6
EBITA margin	%	1.5	0.5	-	4.0	1.7	-	-0.1
Employees (as of end of period; without apprentices)	-	2,846	2,843	+0.1%	2,846	2,843	+0.1%	2,832

MANAGEMENT REPORT

GENERAL ECONOMIC CONDITIONS

In the USA, the economy continued to recover during the reporting period. Private consumption, which accounts for approximately 70% of economic performance in the USA, continued to see positive development, and unemployment remained stable at around 6.1% compared to the previous year's reference period. The US Federal Reserve (FED) has announced that key interest rate will remain at its historically low level close to zero. Monthly bond purchases have been reduced to 15 billion dollars per month during reporting period and finally the bond-buying program ended at the end of October.

On the other hand, development of the economy in Europe continued to be very subdued; most economic indicators show a further weakening in the coming months. A risk of deflation has prevailed for some time now, and according to economic experts, this would heavily impact the already weak general economic environment. The two-way trade embargo between the European Union and Russia is also negatively influencing the economy, resulting in a significant drop in sales in many industries. Against this backdrop, the European Central Bank (ECB) has reduced the key interest rate in the euro zone to a new record low of 0.05%. Furthermore, banks must now pay even higher penalty interest in order to deposit funds with the central bank instead of passing them on to companies in the form of loans. The ECB has also decided to buy so-called asset-backed securities (ABS) in order to provide the market with additional liquidity and stimulate the economy in the euro zone.

The economy in China saw stable growth in the GDP, which amounted to 7.4% in the reporting period, and will also remain at this level in 2014 according to financial experts. Since economic development has remained below expectations, the Chinese central bank is providing the equivalent of more than 60 billion euros in order to increase economic stimulation. While economic performance in Brazil stagnated during the reporting period, the economy in India showed initial signs of recovery just a few months after the change of government.

Sources: research reports by various banks, OECD

BUSINESS DEVELOPMENT

Notes

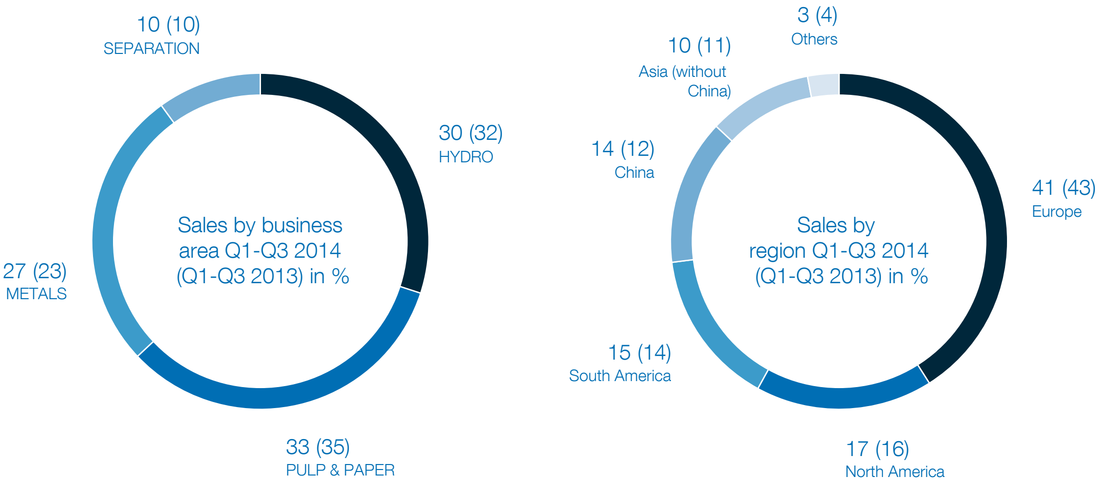
- All figures according to IFRS
- Due to the utilization of automatic calculation programs, differences can arise in the addition of rounded totals and percentages.
- MEUR = million euro; TEUR = thousand euro
- The Schuler Group was consolidated into the consolidated financial statements of the ANDRITZ GROUP as of March 1, 2013 and is allocated to the METALS business area.

Sales

In the third quarter of 2014, sales of the ANDRITZ GROUP amounted to 1,463.5 MEUR and were thus 4.6% lower than the reference figure for the previous year (Q3 2013: 1,534.5 MEUR); thereof, the Schuler Group contributed 296.4 MEUR (Q3 2013: 333.9 MEUR). Sales in the PULP & PAPER business area decreased by 4.6% due to the strong sales contribution of a pulp mill project in the third quarter of 2013. Sales in the HYDRO (-5.3%) and METALS (-5.8%) business areas also declined compared to last year's reference period. Sales in the SEPARATION business area were slightly higher than last year's reference figure (+0.8%).

In the first three quarters of 2014, sales of the Group amounted to 4,122.9 MEUR and were thus slightly below the previous year's reference figure (-0.5% versus Q1-Q3 2013: 4,144.6 MEUR). The business areas' sales development at a glance:

	Q1-Q3 2014 (MEUR)	Q1-Q3 2013 (MEUR)	+/- (%)
HYDRO	1,232.2	1,301.5	-5.3
PULP & PAPER	1,369.9	1,456.7	-6.0
METALS	1,111.8	962.9	+15.5
SEPARATION	409.0	423.5	-3.4



Share of service sales of Group and business area sales in %

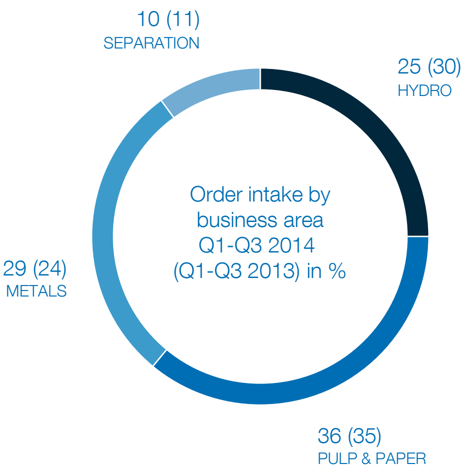
	Q1-Q3 2014	Q1-Q3 2013	Q3 2014	Q3 2013
ANDRITZ GROUP	29	28	29	27
HYDRO	25	25	28	24
PULP & PAPER	36	36	34	33
METALS	18	17	17	19
SEPARATION	43	40	42	40

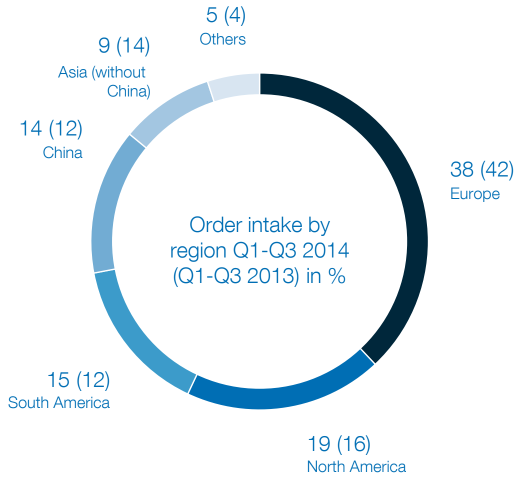
Order intake

In the third quarter of 2014, the order intake of the Group amounted to 1,591.5 MEUR and was thus slightly higher than last year's reference figure (+4.3% compared to Q3 2013: 1,525.3 MEUR). The Schuler Group contributed 361.7 MEUR (Q3 2013: 326.8 MEUR). The business areas' development in detail:

- HYDRO: At 351.4 MEUR, order intake was 4.3% below the level of the previous year's reference period (Q3 2013: 367.3 MEUR).
- PULP & PAPER: The order intake of 572.4 MEUR almost reached last year's very high reference figure (-5.0% versus Q3 2013: 602.3 MEUR).
- METALS: At 530.2 MEUR, the order intake developed very favorably (+25.1% versus Q3 2013: 423.8 MEUR); this significant increase is mainly due to a larger order from FAW Volkswagen Automotive in China. Excluding Schuler, the business area's order intake also increased substantially compared to the low level of the previous year's reference period (+73.5%). This is mainly due to the receipt of some larger orders to supply annealing and pickling lines for aluminum strips.
- SEPARATION: The order intake increased by 4.2% to 137.5 MEUR (Q3 2013: 131.9 MEUR).

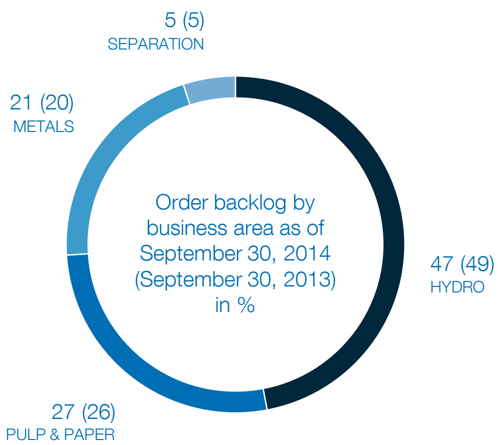
In the first three quarters of 2014, the order intake of the Group, at 4,571.6 MEUR, was 12.8% higher than in the previous year's reference period (Q1-Q3 2013: 4,051.3 MEUR). The Schuler Group contributed 916.3 MEUR (Q1-Q3 2013: 657.8 MEUR), however Schuler was included in the previous year's reference period only from March 1, 2013 (date of first-time consolidation). This significant increase is mainly due to the good order intake in the PULP & PAPER and METALS business areas. While the SEPARATION business area showed a relatively stable but still lower order intake compared to the previous year's reference period, the order intake in the HYDRO business area was almost 5% below the reference period.

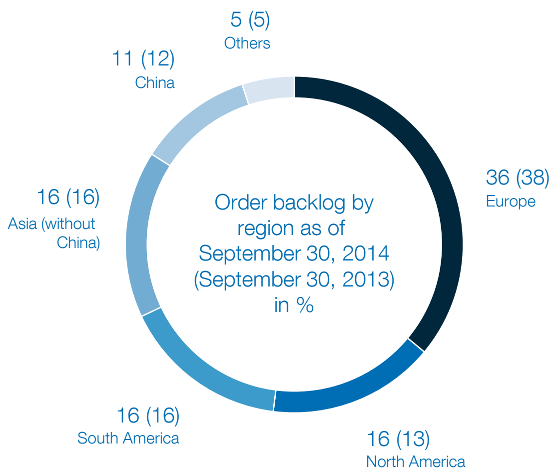




Order backlog

As of September 30, 2014, the order backlog of the ANDRITZ GROUP amounted to 7,702.2 MEUR and thus rose by 4.2% compared to the end of last year (December 31, 2013: 7,388.5 MEUR). Schuler contributed 1,120.8 MEUR to the order backlog (December 31, 2013: 1,040.4 MEUR).





Earnings

The EBITA of the Group amounted to 101.0 MEUR in the third quarter of 2014 and was thus 44.1% above the low reference figure for the previous year (Q3 2013: 70.1 MEUR). The EBITA margin increased to 6.9% compared to the third quarter of 2013 (4.6%). While the EBITA margin in the HYDRO business area reached a satisfactory level (8.2% in Q3 2014 versus 8.4% in Q3 2013), the margin in the PULP & PAPER business area increased to 5.8% compared to the very low figure for the previous year's reference period (-1.5%), which was negatively impacted by additional costs in connection with a pulp mill project in South America. The EBITA margin in the METALS business area reached a favorable level of 8.0%, but remained below the very high reference figure of the previous year (Q3 2013: 9.0%). Profitability in the SEPARATION business area jumped to 4.0% (Q3 2013: 1.7%).

In the first three quarters of 2014, the Group's EBITA amounted to 234.4 MEUR (+40.4% versus Q1-Q3 2013: 167.0 MEUR) and the EBITA margin was 5.7% (Q1-Q3 2013: 4.0%). Earnings were thus considerably higher than the very low reference figure of the previous year, which was negatively impacted by additional costs in the PULP & PAPER business area (pulp mill project in South America) and the SEPARATION business area (market launch of a new product series and restructuring measures).

The financial result of the Group in the first three quarters of 2014, at -1.7 MEUR, was above the reference figure for the previous year (Q1-Q3 2013: -5.4 MEUR).

Net income (excluding non-controlling interests) in the first three quarters of 2014 reached 123.6 MEUR and was thus significantly above the very low reference figure for the previous year (Q1-Q3 2013: 78.8 MEUR).

Net worth position and capital structure

The net worth position and capital structure as of September 30, 2014 remained solid. Total assets amounted to 5,927.7 MEUR (December 31, 2013: 5,571.4 MEUR). The equity ratio reached 16.9% (December 31, 2013: 16.7%).

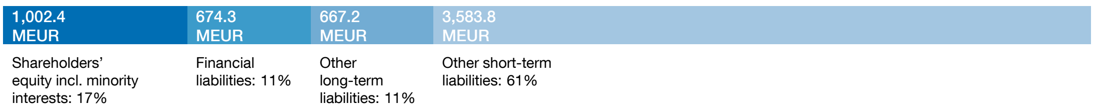
Liquid funds (cash and cash equivalents plus marketable securities plus loans against borrowers' notes) amounted to 1,666.6 MEUR (December 31, 2013: 1,517.0 MEUR), net liquidity (liquid funds plus fair value of interest rate swaps minus financial liabilities) amounted to 1,013.8 MEUR (December 31, 2013: 893.1 MEUR).

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, and so on, at its disposal:

- Credit lines: 341 MEUR, thereof 138 MEUR utilized
- Surety and guarantee lines: 5,819 MEUR, thereof 3,224 MEUR utilized

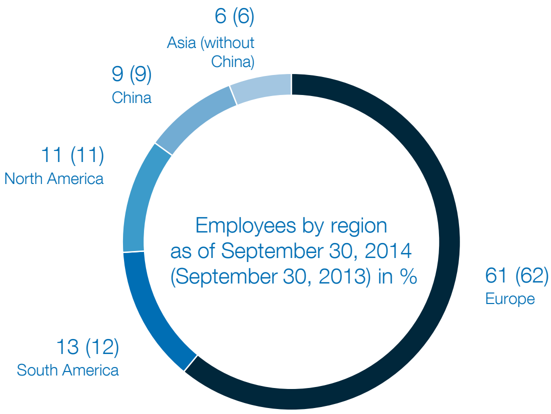
Assets

Shareholders' equity and liabilities



Employees

As of September 30, 2014, the number of ANDRITZ employees amounted to 24,468 (+3.2% versus December 31, 2013: 23,713 employees).



Major risks during the remaining months of the financial year and risk management

The ANDRITZ GROUP has a long-established Group-wide risk management system at its disposal whose goal is to identify nascent risks at an early stage and take countermeasures if necessary. This is an important element of active risk management within the Group. However, there is no guarantee that these monitoring and risk control systems are effective enough.

The essential risks for the business development of the ANDRITZ GROUP relate above all to the Group's dependence on the general economic environment 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. Furthermore, unexpected cost increases during the execution of orders constitute a considerable risk, particularly in so-called turnkey or EPC orders, where the Group also assumes responsibility for engineering, civil work, and erection of a factory in addition to delivery of ANDRITZ equipment and systems. Projects of this kind involve high risks concerning cooperation with third parties contracted to carry out engineering, as well as civil and construction work (for example the risk of strikes, failure to meet deadlines, or quality problems with components/services purchased from sub-suppliers). Delays and difficulties in achieving the guaranteed performance parameters in the plants that ANDRITZ supplies as well as a possible malfunction in the components and systems supplied by ANDRITZ, that can have serious consequences for individuals and on material assets, also pose substantial risks.

The financial difficulties and the continuing, challenging overall economic development (particularly in Europe and individual emerging markets) also constitute a serious risk for the ANDRITZ GROUP's financial development. In addition, the two-way trade embargo between the European Union and Russia constitutes a risk for the economic development of both of these economic regions. A significant economic weakness may lead to 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 in turn would have a negative impact on the utilization of the Group's manufacturing capacities.

Complete or partial goodwill impairments resulting from acquisitions may also negatively 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.

The Schuler Group acquired in 2013 derives approximately 80% of its sales from the automotive industry, which is generally exposed to severe cyclical swings. Thus, possible negative cyclical fluctuations can have a negative impact on the sales and earnings development of the Schuler Group and thus of the ANDRITZ GROUP.

For the majority of orders, the risk of payment failure by customers is mitigated by means of bank guarantees and export insurance. However, there is no guarantee that there will not be any individual payment failures that will have a substantial negative impact on earnings development of the Group if they do occur. Risks related to deliveries to countries with medium to high political risks are typically also insured to a large extent. However, the requirements for full hedging of these risks are not always available. Quarterly credit risk reporting to the Executive Board has been implemented in order to ensure transparency with respect to financial risks on projects and to implement immediate countermeasures if necessary. It shows the maximum expected unsecured credit risk for external orders with a value of over one million euros, which are billed according to percentage of completion (POC), as well as customer ratings.

ANDRITZ processes orders for the HYDRO business area in Brazil through its subsidiary ANDRITZ HYDRO Inepar, in which ANDRITZ holds a majority interest. The minority shareholder has declared bankruptcy and initiated a reorganization process. The possible negative outcome of this reorganization process and a possible insolvency of the company can have a considerable negative financial impact on ANDRITZ. ANDRITZ has substantial tax credits in Brazil from various transfer taxes. Some of these tax credits were seized as security by the tax authorities for tax liabilities of the minority shareholder of ANDRITZ's affiliate ANDRITZ HYDRO Inepar. Although the laws of Brazil do not allow access to the company's assets for the liabilities of a minority shareholder, the possibility of payment default on some or all of the tax receivables in Brazil cannot be excluded.

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, including contract and project disputes, product liability claims, and intellectual property litigation. 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. A negative decision for ANDRITZ in one or several of these legal disputes may have an adverse effect on the earnings and liquidity position of the Group. The product liability cases include a number of cases alleging injuries and/or death resulting from exposure to asbestos.

Exchange rate risks in connection with the execution of the order backlog are minimized and controlled by derivative financial instruments, in particular by forward exchange contracts and swaps. Net currency exposure of orders in foreign currencies is hedged by forward contracts.

In order to minimize the financial risks as best possible and to enhance monitoring, control, and assessment of its financial and liquidity position, the ANDRITZ GROUP implemented both a comprehensive treasury policy and a transparent information system.

The ANDRITZ GROUP's position in terms of liquidity is very good, and the Group has high liquidity reserves. 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). With this diversification, ANDRITZ is seeking to minimize the counterparty risk as best possible. Nevertheless, if one or more banks were to become insolvent, this would have a considerable negative influence on the earnings development and shareholders' equity of the ANDRITZ GROUP. In addition, the lowering of ANDRITZ's credit rating by several banks can limit the financial leeway available to ANDRITZ, particularly regarding sureties to be issued.

ANDRITZ pursues a risk-averse investment strategy. Cash is largely invested in low-risk financial assets, such as government bonds, government-guaranteed bonds, investment funds to cover pension obligations, loans against borrowers' notes insured by a certificate of deposit, 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 or make them non-tradable. 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. The Executive Board is informed at regular intervals of the extent and volume of current risk exposure in the ANDRITZ GROUP.

Although the risk of the complete or partial decline of the euro zone and of a possible collapse of the euro currency system has dropped in the past few months, the possibility still cannot be ruled out entirely. In such negative case, a complete or partial decline of the euro zone would very probably have a negative effect on the financial, liquidity, and earnings development of the Group. For further information on risks, please refer to the ANDRITZ annual financial report 2013.

Impact of exchange rate fluctuations

Fluctuations in exchange rates in connection with the execution of the order backlog are largely hedged by forward rate contracts. Exchange rate risks resulting from the recognition of equity are not hedged.

The currency devaluations at the beginning of 2014 in many emerging countries, such as Brazil, Argentina, Indonesia, Turkey, and India, as well as the subsequent increase in key interest rates by the respective central banks could also lead to a significant weakening of the economy in these countries, which may have a negative impact on the development of sales, earnings, and order intake of the ANDRITZ GROUP. In addition, projects in these countries may be canceled or delayed because currency devaluations have made many projects considerably more expensive for customers and thus substantially reduced their profitability. The weakness of currencies in many emerging countries could negatively impact the consolidated balance sheet as well as sales and earnings development of the ANDRITZ GROUP (translation risk).

Information pursuant to Article 87 (4) of the (Austrian) Stock Exchange Act

During the reporting period, no major business transactions were conducted with related persons and companies.

Important events after reporting period

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.

The Austrian Takeover Commission notified ANDRITZ AG that a review procedure is being instituted pursuant to Section 33 of the Austrian Takeover Act. The object of the procedure is to review whether there was wrongfully no mandatory takeover offer submitted (Section 22 et seq. of the Austrian Takeover Act) in connection with the reorganization measures implemented by the core shareholders of ANDRITZ AG in August 2014, particularly by Custos Privatstiftung and Certus Beteiligungs-GmbH, and in connection with re-transition of a securities loan for ANDRITZ AG shares existing since 2004.

OUTLOOK

Leading economic experts do not expect any significant change in the general economic conditions for the coming months. While the economy in the USA is expected to continue its robust growth, Europe will most likely further weaken. There are also no real growth impulses for the world's economy expected from the emerging markets. In view of these general conditions, no substantial change is expected in project activity in the markets served by the ANDRITZ GROUP for the remaining months of the 2014 business year compared to the first three quarters of 2014.

On the basis of these expectations, the order backlog, and the sales contribution by the Schuler Group, which was not included in the accounts for full twelve months in 2013, the ANDRITZ GROUP expects a slight increase in sales in the 2014 business year compared to the previous year. The net income of the Group, which was heavily negatively impacted by earnings development in the PULP & PAPER and SEPARATION business areas, is expected to show a significant improvement compared to the previous year.

However, if the global economy suffers another setback in the coming months (particularly in Europe and the emerging markets), this could have a negative impact on the ANDRITZ GROUP's business development. This may lead to organizational and capacity adjustments and, as a result, to financial provisions that could have a negative effect on earnings.

HYDRO

MARKET DEVELOPMENT

Global project activity for electromechanical equipment in hydropower plants was satisfactory in the third quarter of 2014; it was, however, still substantially below the very high level of the previous years. In Europe, in particular, some larger modernization and new hydropower projects were postponed temporarily or stopped due to the continuing low wholesale electricity prices. In South America and Africa some new hydropower projects are currently being implemented or in the planning phase. Investment and project activity in the small-scale hydropower and pumps sectors saw solid development.

IMPORTANT EVENTS

Commissioning of the Angostura hydropower station, Chile, was completed successfully. ANDRITZ HYDRO supplied six weir fields, trashracks, bottom outlet flap gates, and additional shut-off valves for the 316-megawatt power station on behalf of the private Chilean utility company Colbún. The weirs are each over 17 meters high and will support water management on the Bío Bío and Huequecura rivers.

Following the hand-over of unit 1 at Iovskaya hydropower station, Russia, at the end of 2013, the second unit was handed over during the reporting period. Both machines have been fitted with new runners after more than 20 years in operation.

Six vertical line shaft pumps were started up successfully at the Rampura pumping station, Bangladesh. The pumping station supplies water to the Bangladesh capital city, Dhaka.

At Shandong Asia Pacific, a Chinese pulp and paper producer, 148 process pumps went into operation successfully.

IMPORTANT ORDERS

ANDRITZ HYDRO received an order from Triunfo, Brazil, to supply the electromechanical equipment for the Sinop hydropower plant. The scope of supply includes two units, each with an output of 204 megawatts, and the secondary technology.

The business area received an order from Électricité de France (EDF) to service and partially replace five of the 24 bulb turbines, each with an output of 10 megawatts, installed at the La Rance tidal power plant, France. This plant in Brittany is one of two tidal power plants currently in operation worldwide.

The business area is replacing one of the two units at the Mimoso hydropower station (total output: 30 megawatt) on behalf of Pantanal Energética, Brazil.

Fully networked secondary technology is being supplied to five hydropower stations on the upper reaches of the River Inn, Germany, on behalf of Verbund Innkraftwerke. By 2021, 21 units will be equipped with new secondary technology to enable fully automatic operation – at optimum efficiency with maximum energy yield. The control equipment at the Birsfelden hydropower station, Switzerland, is also being modernized. The machine protection is being refurbished at the Nam Pung hydropower plant, Thailand.

Chaudière Hydro LP, Canada, ordered delivery of the complete electromechanical equipment for four 8-megawatt units at the Chaudière small-scale hydropower plant in Ottawa. The plant will use the water from the Chaudière Ring Dam, which also supplies four other hydropower stations in Québec and Ontario.

Additional contracts were signed in the small-scale hydropower segment, e.g. for the projects Bocac II in Bosnia, Calikobasi in Turkey, El Recreo 2 in Guatemala, and North Mathioya in Kenya.

The business area will supply about 600 process pumps for the new OKI pulp mill, Indonesia.

Four 2.4-megawatt double-suction submersible motor pumps are being supplied to drain a disused gold mine in South Africa.

PULP & PAPER

MARKET DEVELOPMENT

The international pulp market showed mixed development, depending on the pulp grade, in the third quarter of 2014. While the price for NBSK (Northern Bleached Softwood Kraft) remained at a high level of around 930 USD per ton in spite of the usual weaker demand in the summer months, the price for short-fiber pulp (eucalyptus) declined from around 730 USD per ton at the beginning of July to just over 700 USD per ton at the end of September 2014. The reasons for this weak development – particularly in September 2014 – were the subdued demand from Chinese paper producers and an expected increase in pulp supply from new pulp mills that will be starting production in the coming months.

The market for pulp mill equipment showed solid project and investment activity overall in the third quarter of 2014. Although no large-scale projects were awarded, there was still favorable project activity for modernizations to increase the productivity of existing pulp mills, as well as for investments to protect the environment. The competitive environment for suppliers of pulp mill equipment continued to be very challenging.

IMPORTANT EVENTS

Naberezhnye Chelny, Russia, started up its K-28 paper machine after ANDRITZ's rebuild, which included delivery of a complete wet end with two headboxes, a shoe press, web stabilizers, automation, and two complete approach systems. Saleable paper was already obtained on the second reel after start-up.

Mondi SCP, Slovakia, started up a new ANDRITZ High Energy Recovery Boiler (HERB) with a capacity of 1,750 tons of dry solids per day, a new lime kiln, and a retrofitted evaporation plant.

Karlstad Energi, Sweden, started up a new bubbling fluidized bed biomass-fueled boiler at its combined heat and power plant.

The business area completed a modernization of the fiberline at Stora Enso's Oulu mill, Finland, which included a new pre-steaming chip silo and a drum displacer washer.

Pindo Deli Paper Perawang Mills, Indonesia, started up a stock preparation, as well as white water and machine approach systems for a new tissue machine.

Ningbo Asia Pulp & Paper, China, started up two Deinked Pulp (DIP) processing lines. Also in China, Jiangmen Xinghui Paper started up systems for DIP, mixed waste, and broke processing as well as a machine approach system for the production of coated board. Fuyang City Dongda Paper started up systems for DIP and OCC (Old Corrugated Containers), as well as refining and cleaning systems. Anhui Yufeng Wood Products started up a refining system.

In the panelboard sector, pressurized refining systems were started up for AGT Ağaç Sanayi Ticaret, Turkey, as well as Henan Juyuan Wood Industry and Liaoning New Material, China.

IMPORTANT ORDERS

Celulose de Cacia, Portugal, selected the business area to upgrade the cooking system in the fiberline, install systems for collecting and incinerating odorous gases, and rebuild the pulp drying plant.

Zhanjiang Chenming Pulp & Paper, China, ordered a 65-megawatt circulating fluidized bed gasification plant. The plant will generate green fuel gas from biomass to provide heat for the pulp mill's lime kiln. The scope of supply includes biomass handling equipment, a belt dryer, gasifier, and an advanced multi-fuel burner for the lime kiln.

Zellstoff Pöls, Austria, selected the business area to refurbish a black liquor recovery boiler.

Oklahoma Gas & Electric Company, USA, selected ANDRITZ to supply a circulating dry scrubbing air pollution control system for two 569-megawatt coal-fired boilers.

OKI Pulp & Paper Mills, Indonesia, ordered additional crushing equipment in the woodyard for its new pulp mill in South Sumatra, Indonesia. ANDRITZ is also supplying the world's largest recovery boiler and equipment for nine debarking lines.

Moorim Pulp & Paper, South Korea, selected the business area to upgrade the fiberline bleaching systems.

Guangdong Shaoneng Group, China, ordered a new tissue machine with steel yankee, the stock preparation, and automation. Also in China, Hebei Yihoucheng ordered a second ANDRITZ tissue machine with steel yankee, stock preparation, and automation after the recent start-up of the first machine.

ANDRITZ received an order from Baoshan Xinshengtai Paper Co., China, to supply a FibreFlow drum pulper and paper machine approach system for a greenfield mill.

Lee & Man ordered a two-loop system for processing old newspapers at its Chongqing mill in China. The scope of supply includes a drum pulper and deinking system with a capacity of 300 tons per day.

Zhejiang Chuancheng Industrial, China, ordered dispersing systems, disc filters, thickeners, refiners, and medium-consistency pumps for two paper machines.

From Sun Paper Industry, China, the business area received an order to deliver stock preparation, approach flow, and rejects handling systems for the Yanzhou mill. The residuals from both recycled fiberlines will be prepared for combustion or further recycling.

There were several orders for the supply of pressurized refining systems in the panelboard sector, e.g. from Masisa Durango Maderas y Sintéticos, Mexico; Shandong Dingsen Wood Industry and Henan Xiayi Huasheng Wood, China; and VRG Kien Giang, Vietnam.

METALS

MARKET DEVELOPMENT

Global project and investment activity in the metalforming sector for the automobile and automotive supplying industries was good in the third quarter of 2014. While activity in Europe remained at a satisfactory level, several large orders were awarded, particularly in China.

As a result of the continuing overcapacities in the international steel/stainless steel industry and the weak demand due to the overall economic situation, project activity for equipment for the production and processing of stainless steel, carbon steel, and nonferrous metal strip continued to be low. On the other hand, the aluminum industry noted good investment activity. Investment activity in the industrial furnace sector was low.

IMPORTANT EVENTS

Erection of a new demonstration and reference center started at the Schuler location in Tianjin, China. A new 16,000-kilonewton press with TwinServo technology will go into operation at this Servo TechCenter next year.

With its Efficient Hydraulic Forming (EHF), Schuler has developed a new technology for hydraulic presses. Compared to consumption of conventional hydraulic presses, EHF leads to energy savings of up to 60%. The first forging press with EHF technology started up successfully at Imbach & Cie., Switzerland.

Schuler presented the first linear hammer with servo-technology at RUD-Schöttler, Germany. Highest-precision forging is possible thanks to the patented drive system. The electronic control system automatically adjusts the energy input and number of necessary forging blows to the actual forging result after each blow – until the preselected part thickness is achieved. As a result, the cycle times and the energy needed for forming are reduced.

A cold-rolling mill stand, a continuous annealing and pickling line for hot- and cold-rolled stainless steel strip (annual capacity: 350,000 tons) as well as a strip processing plant for hot-rolled strip were started up successfully at Walsin Lihwa, Taiwan.

A galvanizing line (annual capacity: 200,000 tons) was modernized successfully and handed over to Synn Industrial, Taiwan.

IMPORTANT ORDERS

Fiat Brazil ordered the supply of a Schuler mechanical press line with robot automation. The scope of supply includes a lead press with a pressing force of 12,000 kilonewtons and four line presses each with a pressing force of 8,000 and 6,300 kilonewtons, respectively.

Schuler will supply a mechanical transfer press with external cutting stage to each of the two plants belonging to German automotive supplier LuK in China and the USA. Each of these presses has a pressing force of 29,000 kilonewtons and processes materials with a thickness of up to 10 millimeters.

A German automobile manufacturer in the premium sector ordered a servo-press line (total pressing force of 103,000 kilonewtons) to manufacture car body parts for models with a long wheel base.

One of the largest orders in Schuler's 175-year history was received from FAW Volkswagen Automotive, China. The order comprises three press lines with ServoDirekt technology and three presses for die tryout, all for production locations in China. The servo-press lines are used mainly to produce car body parts, such as hoods or doors.

Voestalpine, USA, ordered a hydraulic press hardening machine (pressing force: 26,000 kilonewtons) with automation equipment. This press will produce hot-formed structural components from galvanized material for cars.

Schuler is supplying a mechanical transfer press with ServoDirekt technology (16,000 kilonewtons pressing force), including a transfer system and coil line as well as blank feeders, to Metalsa, Mexico.

Aleris Rolled Products, USA, ordered two annealing and passivation lines for production of aluminum strip, each with an annual capacity of 170,000 tons. The scope of supply includes the complete mechanical and electrical equipment as well as all process parts.

Constellium Quiver Ventures, USA, awarded the business area an order to supply an annealing and pickling line for cold-rolled aluminum strip (annual capacity: 110,000 tons).

Constellium, France, ordered an annealing and pickling line for automotive products for its plant in Biesheim, France.

Walsin Lihwa, Taiwan, commissioned the business area to supply a tension-leveling line, a rolling mill, and a regeneration plant for the stainless steel cold-rolling mill in Taichung, Taiwan.

ANDRITZ will supply a 20-high precision rolling mill with a width of 1,550 millimeters and strip reduction of up to 70 micrometers to Arinox, Italy. The plant will be the largest precision rolling mill in the world.

ANDRITZ Soutec received an order to supply two linear laser welding plants to Anshan Steel, China.

ThyssenKrupp Rasselstein, Germany, commissioned the business area to modernize a continuous annealing line for the production of carbon steel. The scope of supply comprises a new electrical package and operating concept, comprehensive safety features and equipment, as well as substantial renovations and extensions to the plant's mechanical and hydraulic equipment. Thanks to this modernization project, the plant speed will be increased and the terminal equipment optimized.

SEPARATION

MARKET DEVELOPMENT

Investment and project activity for solid/liquid separation equipment continued to show a mixed development during the third quarter of 2014. While demand for municipal/industrial waste water treatment and from the food industry was solid, project activity in the chemical industry slightly decreased compared to the previous quarter. Investment activity in the mining industry remained unchanged at a very low level.

In the animal feed industry, overall project activity was good, both for mill expansion projects and greenfield plants, especially in Europe and Latin America. The special feed area (aquatic feed and pet food) also showed good demand in Asia, Latin America, and the Mediterranean region. In the biomass pelleting sector, project and investment activity continued at a solid level, especially in Asia and North America.

IMPORTANT EVENTS

The business area presented a new, innovative belt press for dewatering in municipal and industrial applications, based on a new low-profile design and flexible modular construction. The main benefit of the new belt press is that size and weight were reduced by around 50% each compared to the previous machine generation, leading to lower investment costs and maintenance work for the customer but achieving the same machine performance.

IMPORTANT ORDERS

The business area received an order to supply the belt drying system for the waste water treatment plant of a large city in Missouri, USA.

A customer in Indonesia ordered five side-bar filter presses for vegetable oil production.

In the mining and mineral industries, three side-bar filter presses for molybdenum production were ordered from a customer in Chile; molybdenum is used to increase the rigidity of steel and metals.

Two hyperbaric disc filters for a coal application will be delivered to a customer in China.

The business area has received an order to supply a new fluidized bed cooler system for potash production. The new system consumes less energy than comparable technical solutions.

A major energy producer in Poland awarded the business area an order to supply four centrifuges for a flue gas desulphurization system in order to reduce air pollution and meet environmental requirements.

A water utility in Brazil awarded the business area an order to rebuild and repair its existing filter presses.

For the chemical industry, the business area received the order to supply two decanters and one vacuum drum filter for a customer in China.

A salt producer in Belarus ordered a fluidized bed system to replace the existing rotary dryer system. This new state-of-the-art dryer system achieves high product quality and energy savings by integrating waste heat into the process.

In the feed area, several orders for new aquatic feed and animal feed process lines were received from customers in Asia, Europe, and Latin America. These include a large order for a new feed pelleting plant in Eastern Europe (capacity: 60 tons per hour).

CONSOLIDATED INCOME STATEMENT

For the first three quarters of 2014 (condensed, unaudited)

(in TEUR)	Q1-Q3 2014	Q1-Q3 2013	Q3 2014	Q3 2013
Sales	**4,122,892**	**4,144,623**	**1,463,462**	**1,534,552**
Changes in inventories of finished goods and work in progress	87,474	36,795	26,658	18,289
Capitalized cost of self-constructed assets	1,721	2,116	320	497
	4,212,087	**4,183,534**	**1,490,440**	**1,553,338**
Other operating income	61,787	65,610	17,607	18,028
Cost of materials	-2,222,329	-2,343,191	-798,839	-896,864
Personnel expenses	-1,176,822	-1,099,380	-387,314	-374,973
Other operating expenses	-575,776	-577,248	-198,605	-206,235
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	**298,947**	**229,325**	**123,289**	**93,294**
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	-122,918	-113,121	-41,675	-42,962
Earnings Before Interest and Taxes (EBIT)	**176,029**	**116,204**	**81,614**	**50,332**
Income/expense from associated companies	-54	-119	-20	-150
Interest income	22,237	18,227	7,663	5,674
Interest expenses	-24,040	-24,501	-7,744	-8,550
Other financial result	147	996	111	676
Financial result	**-1,710**	**-5,397**	**10**	**-2,350**
Earnings Before Taxes (EBT)	**174,319**	**110,807**	**81,624**	**47,982**
Income taxes	-52,296	-33,242	-24,487	-15,262
NET INCOME	**122,023**	**77,565**	**57,137**	**32,720**
Thereof attributable to:				
Shareholders of the parent	123,600	78,843	56,853	31,948
Non-controlling interests	-1,577	-1,278	284	772
Weighted average number of no-par value shares	103,731,925	103,319,114	103,611,979	103,477,846
Earnings per no-par value share (in EUR)	1.19	0.76	0.55	0.31
Effect of potential dilution of share options	241,323	927,780	261,183	443,109
Weighted average number of no-par value shares and share options	103,973,248	104,246,894	103,873,162	103,920,955
Diluted earnings per no-par value share (in EUR)	1.19	0.76	0.55	0.31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the first three quarters of 2014 (condensed, unaudited)

(in TEUR)	Q1-Q3 2014	Q1-Q3 2013	Q3 2014	Q3 2013
Net income	**122,023**	**77,565**	**57,135**	**32,720**
Items that may be reclassified subsequently to profit or loss				
Currency translation adjustments, net of tax	29,930	-26,610	26,929	-19,259
Available for sale financial assets, net of tax	362	-734	498	77
Cash flow hedges, net of tax	0	-351	-1,034	1,072
Items that will not be reclassified to profit or loss				
Actuarial gains/losses, net of tax	0	0	0	0
Other comprehensive income for the year	**30,292**	**-27,695**	**26,393**	**-18,110**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**152,315**	**49,870**	**83,528**	**14,610**
Thereof attributable to:				
Shareholders of the parent	153,118	54,756	82,796	15,909
Non-controlling interests	-803	-4,886	732	-1,299

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of September 30, 2014 (condensed, unaudited)

(in TEUR)	September 30, 2014	December 31, 2013
ASSETS		
Intangible assets	250,890	309,458
Goodwill	534,137	530,067
Property, plant, and equipment	689,227	673,479
Other investments	79,448	45,649
Trade accounts receivable	23,767	16,849
Other receivables and assets	79,297	75,338
Deferred tax assets	207,964	200,318
Non-current assets	**1,864,730**	**1,851,158**
Inventories	799,569	673,761
Advance payments made	183,750	152,786
Trade accounts receivable	625,489	620,821
Cost and earnings of projects under construction in excess of billings	505,981	509,534
Other receivables and assets	351,590	376,368
Marketable securities	93,929	159,107
Cash and cash equivalents	1,502,665	1,227,860
Current assets	**4,062,973**	**3,720,237**
TOTAL ASSETS	**5,927,703**	**5,571,395**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	104,000	104,000
Capital reserves	36,476	36,476
Retained earnings	834,849	759,261
Equity attributable to shareholders of the parent	**975,325**	**899,737**
Non-controlling interests	**27,069**	**29,743**
Total shareholders' equity	**1,002,394**	**929,480**
Bonds	369,557	510,658
Bank loans and other financial liabilities	66,278	44,483
Obligations under finance leases	15,144	15,324
Provisions	448,990	438,563
Other liabilities	61,200	54,374
Deferred tax liabilities	157,023	159,040
Non-current liabilities	**1,118,192**	**1,222,442**
Bonds	152,350	0
Bank loans and other financial liabilities	70,578	63,004
Obligations under finance leases	366	962
Trade accounts payable	461,797	453,219
Billings in excess of cost and earnings of projects under construction	1,252,995	1,081,412
Advance payments received	283,312	269,066
Provisions	488,621	555,063
Liabilities for current taxes	38,863	39,622
Other liabilities	1,058,235	957,125
Current liabilities	**3,807,117**	**3,419,473**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**5,927,703**	**5,571,395**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the first three quarters of 2014 (condensed, unaudited)

	Attributable to shareholders of the parent								Non-controlling interests	Total shareholders' equity
(in TEUR)	Share capital	Capital reserves	Other retained earnings	IAS 39 reserve	Actuarial gains/losses	Currency translation adjustments	Treasury shares	Total		
STATUS AS OF JANUARY 1, 2013*	**104,000**	**36,476**	**925,558**	**695**	**-30,886**	**-7,410**	**-20,940**	**1,007,493**	**26,302**	**1,033,795**
Total comprehensive income for the year			78,843	-1,071		-23,016		54,756	-4,886	49,870
Dividends			-123,738					-123,738	-638	-124,376
Changes from acquisitions			-6,756					-6,756	19,198	12,442
Changes concerning own shares							-2,689	-2,689		-2,689
Other changes			-5,287		-27			-5,314	-2,012	-7,326
STATUS AS OF SEPTEMBER 30, 2013*	**104,000**	**36,476**	**868,620**	**-376**	**-30,913**	**-30,426**	**-23,629**	**923,752**	**37,964**	**961,716**
STATUS AS OF JANUARY 1, 2014	**104,000**	**36,476**	**838,057**	**-381**	**-24,240**	**-45,718**	**-8,457**	**899,737**	**29,743**	**929,480**
Total comprehensive income for the year			123,600	362		29,156		153,118	-803	152,315
Dividends			-51,907					-51,907	-1,232	-53,139
Changes concerning own shares			-769				-25,607	-26,376		-26,376
Other changes			3,453	-1	-5	-2,694		753	-639	114
STATUS AS OF SEPTEMBER 30, 2014	**104,000**	**36,476**	**912,434**	**-20**	**-24,245**	**-19,256**	**-34,064**	**975,325**	**27,069**	**1,002,394**

* As of December 31, 2013 restated due to IAS 19 – for more information, see ANDRITZ annual financial report 2013

CONSOLIDATED STATEMENT OF CASH FLOWS

For the first three quarters of 2014 (condensed, unaudited)

(in TEUR)	Q1-Q3 2014	Q1-Q3 2013
Cash flow from operating activities	225,607	-81,099
Cash flow from investing activities	57,977	70,529
Cash flow from financing activities	-36,761	-377,630
Change in cash and cash equivalents	**246,823**	**-388,200**
Change in cash and cash equivalents resulting from exchange rate fluctuation	27,982	-31,681
Cash and cash equivalents at the beginning of the period	**1,227,860**	**1,492,848**
Cash and cash equivalents at the end of the period	**1,502,665**	**1,072,967**

CASH FLOWS FROM ACQUISITIONS OF SUBSIDIARIES*

For the first three quarters of 2014 (condensed, unaudited)

	Business area	Total	Total
(in TEUR)	HY[1]	Q1-Q3 2014	Q1-Q3 2013
Intangible assets	527	527	303,338
Property, plant, and equipment	2,264	2,264	177,634
Inventories	1,106	1,106	173,816
Trade and other receivables	36	36	275,134
Liabilities excluding financial liabilities	-2,253	-2,253	-736,205
Non-interest bearing net assets	**1,680**	**1,680**	**193,717**
Cash and cash equivalents acquired	1,772	1,772	337,939
Fixed financial assets	0	0	2,992
Debt assumed	0	0	-109,970
Goodwill	570	570	190,792
Non-controlling interests	0	0	-30,397
Total purchase price	**4,022**	**4,022**	**585,073**
Purchase price paid	-4,022	-4,022	-429,523
Cash and cash equivalents acquired	1,772	1,772	337,939
NET CASH FLOW	**-2,250**	**-2,250**	**-91,584**
Liabilities from purchase price not paid	0	0	-3,596
Fair value of investments held prior to acquisition	0	0	-151,954
PURCHASE PRICE NOT PAID IN CASH	**0**	**0**	**-155,550**

* Converted by using exchange rates as per dates of transaction
1) HY= HYDRO

The initial accounting for the businesses acquired in 2014 is based on preliminary figures. The final evaluation of the balance sheet items disclosed in the cash flows from acquisition will be carried out according to the regulations of IFRS 3 (revised) “Business Combinations”.

NOTES

Explanatory notes to the interim consolidated financial statements as of September 30, 2014

General
The interim consolidated financial statements as of September 30, 2014 were prepared in accordance with the principles set forth in the International Financial Reporting Standards (IFRS) – guidelines for interim reporting (IAS 34) – which are to be applied in the European Union. The accounting and valuation methods as of December 31, 2013 have been maintained without any change. For additional information on the accounting and valuation principles, see the consolidated financial statements as of December 31, 2013, which form the basis for this interim consolidated financial report.

Due to the utilization of automatic calculation programs, differences can arise in the addition of rounded totals and percentages.

The interim consolidated financial statements as of September 30, 2014 were neither subject to a complete audit nor to an audit review by an auditor.

Application of new standards
ANDRITZ applies the following new standards:
- IFRS 10: Consolidated Financial Statements
- IFRS11: Joint Arrangements
- IFRS12: Disclosures of Interests in Other Entities
- IAS 27 (as revised 2011): Separate Financial Statements
- IAS 28 (as revised 2011): Investments in Associates and Joint Ventures
- IAS 32 (as revised 2011): Financial Instruments: Presentation

The application of these new standards did not have any material impact on the interim consolidated financial statements.

Changes in consolidated companies
The scope of consolidation changed as follows:

	Full consolidation	Equity method
Balance as of January 1, 2014	**146**	**3**
Acquisition of companies	1	0
Changes in consolidation type		
Additions	1	0
Disposals	-3	0
Reorganization	-10	0
Balance as of September 30, 2014	**135**	**3**

Acquisitions
The following companies were not, or only partially, included in the ANDRITZ GROUP's consolidated financial statements for the reference period January 1 to September 30, 2013:
<u>Acquired in 2013:</u>
- Shanghai Shende Machinery Co. Ltd., China (80%): plants for the production of animal/aquatic feed pelleting equipment for mid-size capacities
- Schuler Group, Germany (> 95%): machines, production lines, dies, process know-how, and services for the metalworking industry
- FBB Engineering GmbH, Germany (100%): burners and fireproof systems for the steel and aluminum industries
- ANDRITZ MeWa GmbH, Germany (100%): engineering and service of shredding and crushing machines and complete recycling plants
- Modul Group, Germany (remaining 50%): machines and plants for wood treatment; the first 50% were acquired in 2010
- Certain assets of Vandenbroek Thermal Processing B.V., Netherlands: thermal sludge drying technologies
- Certain assets of Hydreo Engineering SAS, France: equipment for hydropower plants, fish farms, and waste water treatment plants
- Warkaus Works Oy, Finland (remaining 50%): manufacturing of pressure-bearing components for recovery boilers and power plant boilers; the first 50% were acquired in 2001

Acquired in 2014:

- Certain assets and employees of ABB Hydro Generator Service Business, Switzerland: strengthening of services for hydro generators in Switzerland
- ANDRITZ Hydro AFI Inc., Canada (100%): formed as a new company for purchase of assets from former AFI Hydro Inc., Canada: engineering, manufacturing, and maintenance of gates for hydropower plants
- Shanghai Shende Machinery Co. Ltd., China (remaining 20%): since the closing was not completed during the reporting period, these shares are reported under non-controlling interests in the interim financial statements as of September 30, 2014

The estimated fair values of the assets and liabilities acquired in 2014 are assumed as follows:

(in TEUR)	IFRS net book value	Fair value allocations	Fair value
Intangible assets	0	527	527
Property, plant, and equipment	2,264	0	2,264
Inventories	1,106	0	1,106
Trade and other receivables	36	0	36
Liabilities	-2,113	-140	-2,253
Non-interest bearing net assets	**1,293**	**387**	**1,680**
Cash and cash equivalents	1,772	0	1,772
Fixed financial assets	0	0	0
Debt assumed	0	0	0
Goodwill	0	570	570
Non-controlling interests	0	0	0
Net assets	**3,065**	**957**	**4,022**

Acquisition of non-controlling interests

ANDRITZ acquired additional shares of the Schuler Group in 2014. The ANDRITZ GROUP recognized this participation rate change as an equity transaction.

Seasonality

As a rule, the business of the ANDRITZ GROUP is not characterized by any seasonality.

Notes to the interim consolidated income statement

In the first three quarters of 2014, sales of the ANDRITZ GROUP amounted to 4,122.9 MEUR and were thus 0.5% lower than the reference figure for the previous year (Q1-Q3 2013: 4,144.6 MEUR). The EBIT reached 176.0 MEUR (Q1-Q3 2013: 116.2 MEUR).

Notes to the consolidated statement of financial position

Total assets of the ANDRITZ GROUP as of September 30, 2014 amounted to 5,927.7 MEUR and were thus 356.3 MEUR higher than the figure as of December 31, 2013 (5,571.4 MEUR). The net working capital as of September 30, 2014 amounted to -607.0 MEUR (December 31, 2013: -539.4 MEUR).

During the current business year, ANDRITZ AG paid dividends in the amount of 51.9 MEUR for the 2013 business year. During the first three quarters of 2014, 672,000 shares were bought back, and 70,886 shares were issued to ANDRITZ employees (mainly in connection with the exercise of share option programs).

Notes to the consolidated statement of cash flows

Cash flow from operating activities of the ANDRITZ GROUP amounted to 225.6 MEUR in the first three quarters of 2014 (Q1-Q3 2013: -81.1 MEUR). This increase was mainly due to project-related changes in the working capital.

Cash flow from investing activities amounted to 58.0 MEUR during the first three quarters of 2014 (Q1-Q3 2013: 70.5 MEUR).

Cash flow from financing activities amounted to -36.8 MEUR in the first three quarters of 2014 (Q1-Q3 2013: -377.6 MEUR). The strong change resulted mainly from the redemption of a corporate bond in the amount of 200 MEUR in the last year.

Segment information

Segment information is prepared on the following basis:

Business areas

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

- HYDRO (HY)
- PULP & PAPER (PP)
- METALS (ME)
- SEPARATION (SE)

Business area data as of September 30, 2014:

(in TEUR)	**HY**	**PP**	**ME**	**SE**	**Total**
Sales	1,232,210	1,369,894	1,111,810	408,978	4,122,892
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	114,482	85,513	87,033	11,919	298,947
Capital expenditure	24,928	15,707	15,230	5,999	61,864
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	26,104	26,064	58,613	12,137	122,918
Share of net loss of associates	0	-54	0	0	-54
Shares in associated companies	0	0	0	0	0

Business area data as of September 30, 2013:

(in TEUR)	**HY**	**PP**	**ME**	**SE**	**Total**
Sales	1,301,516	1,456,665	962,907	423,535	4,144,623
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	121,215	8,221	90,233	9,656	229,325
Capital expenditure	26,519	16,647	17,635	4,674	65,475
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	25,440	24,505	49,194	13,982	113,121
Share of net loss of associates	0	-119	0	0	-119
Shares in associated companies	0	557	0	0	557

Fair value hierarchy

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

- Level 1: Prices quoted in active markets for identical assets or liabilities
- Level 2: Information other than prices quoted on the market and which can be observed, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Information on assets and liabilities is not based on observable market data

The following table allocates 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 parameters used and reflects the availability of observable market data when estimating fair values.

(in TEUR)	**Total as of September 30, 2014**	**thereof level 1**	**thereof level 2**	**thereof level 3**
FINANCIAL ASSETS				
At fair value through profit and loss - trading				
Derivatives	22,798	0	22,798	0
Embedded derivatives	38,612	0	38,612	0
Available for sale financial assets				
Investment securities	7,208	7,208	0	0
Marketable securities	93,929	93,929	0	0
Other receivables				
Derivatives (hedge accounting)	22,946		22,946	
	185,493	**101,137**	**84,356**	**0**
FINANCIAL LIABILITIES				
At fair value through profit and loss - trading				
Derivatives	62,618	0	62,618	0
Embedded derivatives	12,196	0	12,196	0
Other liabilities				
Derivatives (hedge accounting)	3,548	0	3,548	
	78,362	**0**	**78,362**	**0**

Important events after September 30, 2014

There were no extraordinary events subsequent to the balance sheet date.

DECLARATION PURSUANT TO ARTICLE 87 (1) OF THE (AUSTRIAN) STOCK EXCHANGE ACT

We hereby confirm that, to the best of our knowledge, the condensed interim financial statements of the ANDRITZ GROUP drawn up in compliance with the applicable accounting standards provide a true and fair view of the asset, financial, and earnings positions of the ANDRITZ GROUP, and that the management report provides a true and fair view of the asset, financial, and earnings positions of the ANDRITZ GROUP with regard to the important events of the first nine months of the financial year and their impact on the condensed interim financial statements of the ANDRITZ GROUP, and with regard to the major risks and uncertainties during the remaining three months of the financial year, and also with regard to the major business transactions subject to disclosure and concluded with related persons and companies.

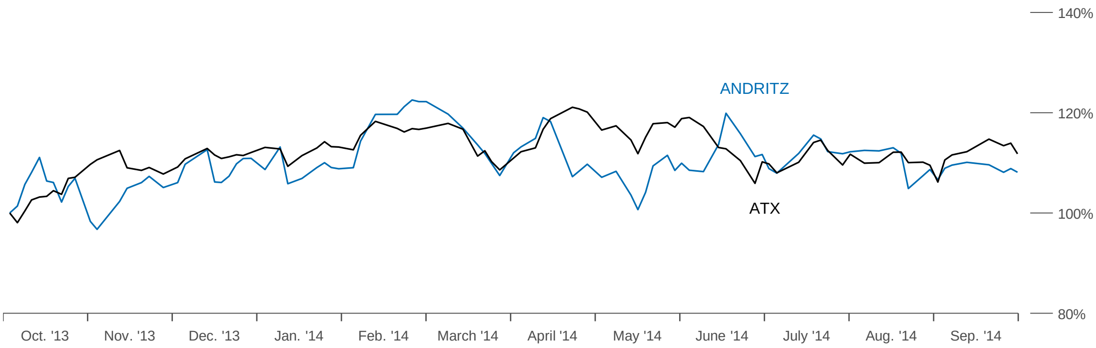
Graz, November 6, 2014

The Executive Board of ANDRITZ AG

Wolfgang Leitner	Humbert Köfler	Friedrich Papst	Joachim Schönbeck	Wolfgang Semper
President and CEO	PULP & PAPER (Service & Units), SEPARATION	METALS, HYDRO (Pumps), SEPARATION (feed/ biomass pelleting segments)	PULP & PAPER (Capital Systems)	HYDRO

SHARE

Relative price performance of the ANDRITZ share compared to the ATX (October 1, 2013-September 30, 2014)



Source: Vienna Stock Exchange

Share price development

The development of the international financial markets continued to be influenced by the uncertain general economic environment and resulting high volatility during the first three quarters of 2014. In this stock market environment, the ANDRITZ share price declined by 7.6% during the reporting period, while the ATX, the leading share index on the Vienna Stock Exchange, declined by 13.0%.

The highest closing price of the ANDRITZ share in the first three quarters of 2014 was 47.58 EUR (March 7, 2014) and the lowest was 39.78 EUR (August 4, 2014).

Trading volume

The average daily trading volume of the ANDRITZ share (double count, as published by the Vienna Stock Exchange) was 294,685 shares (Q1-Q3 2013: 326,011 shares). The highest daily trading volume was noted on September 19, 2014 (1,820,158 shares), the lowest trading volume on August 25, 2014 (83,306 shares).

Investor Relations

During the third quarter of 2014, meetings with institutional investors and financial analysts were held in Chicago, Frankfurt, Geneva, London, Melbourne, Munich, New York, Paris, San Francisco, Singapore, Sydney, Toronto, and Warsaw.

At this year's ANDRITZ Capital Market Day, held in September in Vienna, Austria, the Executive Board informed international analysts and fund managers on current developments and on the medium- to long-term goals of the ANDRITZ GROUP.

Key figures of the ANDRITZ share	Unit	Q1-Q3 2014	Q1-Q3 2013	Q3 2014	Q3 2013	2013
Highest closing price	EUR	47.58	54.94	43.34	44.70	54.94
Lowest closing price	EUR	39.78	37.93	39.78	38.39	37.93
Closing price (as of end of period)	EUR	42.22	43.46	42.22	43.46	45.59
Market capitalization (as of end of period)	MEUR	4,390.9	4,519.3	4,390.9	4,519.3	4,741.4
Performance	%	-7.6	-13.6	+0.6	+9.5	-9.4
ATX weighting (as of end of period)	%	8.2624	8.8773	8.2624	8.8773	9.5082
Average daily number of shares traded	Share unit	294,685	326,011	277,020	329,193	316,787

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	104 million
Authorized capital	None
Free float	About 70%
Stock exchange	Vienna (Prime Market)
Ticker symbols	Reuters: ANDR.VI; Bloomberg: ANDR, AV
Stock exchange indices	ATX, ATX five, ATX Global Players, ATXPrime, WBI

Financial calendar 2015 (preliminary)	
March 5, 2015	Results for the 2014 business year
March 26, 2015	Annual General Meeting
March 31, 2015	Ex-dividend
April 2, 2015	Dividend payment
May 6, 2015	Results for the first quarter of 2015
August 7, 2015	Results for the first half of 2015
November 6, 2015	Results for the first three quarters of 2015

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

Contact and publisher's note

ANDRITZ AG
Investor Relations
Stattegger Strasse 18
8045 Graz, Austria
investors@andritz.com
Produced in-house using FIRE.sys