

FINAN CIAL RE PORT

ANDRITZ FINANCIAL REPORT 2017

ANDRITZ

ENGINEERED SUCCESS

Key financial figures at a glance

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KEY FINANCIAL FIGURES OF THE ANDRITZ GROUP

| | Unit | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|------|---------|---------|---------|---------|---------|
| Order intake | MEUR | 5,579.5 | 5,568.8 | 6,017.7 | 6,101.0 | 5,611.0 |
| Order backlog (as of end of period) | MEUR | 6,383.0 | 6,789.2 | 7,324.2 | 7,510.6 | 7,388.5 |
| Sales | MEUR | 5,889.1 | 6,039.0 | 6,377.2 | 5,859.3 | 5,710.8 |
| Return on sales | % | 6.8 | 6.4 | 5.8 | 5.0 | 1.6 |
| EBITDA | MEUR | 541.7 | 542.4 | 534.7 | 472.0 | 255.2 |
| EBITA ¹⁾ | MEUR | 444.0 | 442.1 | 429.0 | 379.5 | 164.1 |
| Earnings Before Interest and Taxes (EBIT) | MEUR | 399.3 | 385.8 | 369.1 | 295.7 | 89.8 |
| Earnings Before Taxes (EBT) | MEUR | 400.6 | 398.4 | 376.4 | 299.4 | 80.3 |
| Net income (including non-controlling interests) | MEUR | 265.6 | 274.8 | 270.4 | 210.0 | 53.2 |
| Net income (without non-controlling interests) | MEUR | 263.0 | 274.6 | 267.7 | 210.9 | 66.6 |
| Cash flow from operating activities | MEUR | 246.5 | 366.6 | 179.4 | 342.1 | 93.7 |
| Capital expenditure | MEUR | 116.8 | 119.5 | 101.4 | 106.5 | 111.4 |
| Free cash flow | MEUR | 129.7 | 263.7 | 85.0 | 245.8 | -11.5 |
| Free cash flow per share | EUR | 1.2 | 2.5 | 0.8 | 2.4 | -0.1 |
| Employees (as of end of period; without apprentices) | - | 25,566 | 25,162 | 24,508 | 24,853 | 23,713 |
| Non-current assets | MEUR | 1,860.8 | 1,913.7 | 1,844.7 | 2,007.4 | 1,851.2 |
| Current assets | MEUR | 4,404.5 | 4,284.9 | 3,933.3 | 3,987.8 | 3,720.2 |
| Total shareholders' equity | MEUR | 1,325.4 | 1,344.2 | 1,215.6 | 1,038.3 | 929.5 |
| Provisions | MEUR | 1,066.1 | 1,118.9 | 1,130.4 | 1,056.2 | 993.6 |
| Liabilities | MEUR | 3,873.8 | 3,735.5 | 3,432.0 | 3,900.7 | 3,648.3 |
| Total assets | MEUR | 6,265.3 | 6,198.6 | 5,778.0 | 5,995.2 | 5,571.4 |
| Equity ratio | % | 21.2 | 21.7 | 21.0 | 17.3 | 16.7 |
| Return on equity | % | 30.2 | 29.6 | 31.0 | 28.8 | 8.6 |
| Return on investment | % | 6.4 | 6.2 | 6.4 | 4.9 | 1.6 |
| Liquid funds | MEUR | 1,772.3 | 1,507.1 | 1,449.4 | 1,701.6 | 1,517.0 |
| Net liquidity | MEUR | 908.0 | 945.3 | 984.0 | 1,065.1 | 893.1 |
| Net debt | MEUR | -530.6 | -550.2 | -601.6 | -659.4 | -585.0 |
| Net working capital | MEUR | -121.0 | -215.8 | -182.1 | -570.9 | -539.4 |
| Capital employed | MEUR | 801.9 | 772.2 | 736.7 | 387.0 | 443.6 |
| Gearing | % | -40.0 | -40.9 | -49.5 | -63.5 | -62.9 |
| EBITDA margin | % | 9.2 | 9.0 | 8.4 | 8.1 | 4.5 |
| EBITA margin | % | 7.5 | 7.3 | 6.7 | 6.5 | 2.9 |
| EBIT margin | % | 6.8 | 6.4 | 5.8 | 5.0 | 1.6 |
| Net income/sales | % | 4.5 | 4.6 | 4.2 | 3.6 | 0.9 |
| ROE | % | 20.0 | 20.4 | 22.2 | 20.2 | 5.7 |
| EV/EBITDA | - | 7.4 | 7.4 | 6.9 | 7.8 | 15.1 |
| Depreciation and amortization/sales | % | 2.3 | 2.4 | 2.4 | 2.9 | 2.8 |

1) Identifiable assets acquired in a business combination and recognized separately from goodwill amount to of 38,301 TEUR (2016: 41,913 TEUR); impairment of goodwill amounts to 6,428 TEUR (2016: 14,379 TEUR).

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

KEY FINANCIAL FIGURES OF THE BUSINESS AREAS

Hydro

| | Unit | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|------|---------|---------|---------|---------|---------|
| Order intake | MEUR | 1,317.2 | 1,500.3 | 1,718.7 | 1,816.7 | 1,865.4 |
| Order backlog (as of end of period) | MEUR | 2,921.8 | 3,269.6 | 3,640.9 | 3,708.6 | 3,722.4 |
| Sales | MEUR | 1,583.1 | 1,752.4 | 1,834.8 | 1,752.3 | 1,804.8 |
| EBITDA | MEUR | 154.1 | 167.2 | 183.6 | 177.2 | 176.8 |
| EBITDA margin | % | 9.7 | 9.5 | 10.0 | 10.1 | 9.8 |
| EBITA | MEUR | 123.0 | 127.6 | 145.3 | 144.8 | 146.9 |
| EBITA margin | % | 7.8 | 7.3 | 7.9 | 8.3 | 8.1 |
| Capital expenditure | MEUR | 36.3 | 26.1 | 27.4 | 39.4 | 44.5 |
| Employees (as of end of period; without apprentices) | - | 7,237 | 7,260 | 8,230 | 8,339 | 7,445 |

Pulp & Paper

| | Unit | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|------|---------|---------|---------|---------|---------|
| Order intake | MEUR | 2,033.4 | 1,919.5 | 2,263.9 | 1,995.7 | 1,907.7 |
| Order backlog (as of end of period) | MEUR | 1,787.0 | 1,803.3 | 1,998.6 | 1,875.4 | 1,885.6 |
| Sales | MEUR | 2,059.7 | 2,094.4 | 2,196.3 | 1,969.3 | 2,005.3 |
| EBITDA | MEUR | 221.5 | 207.7 | 214.8 | 127.6 | -11.5 |
| EBITDA margin | % | 10.8 | 9.9 | 9.8 | 6.5 | -0.6 |
| EBITA | MEUR | 194.9 | 182.2 | 190.9 | 102.9 | -35.7 |
| EBITA margin | % | 9.5 | 8.7 | 8.7 | 5.2 | -1.8 |
| Capital expenditure | MEUR | 42.1 | 34.1 | 21.1 | 28.1 | 26.0 |
| Employees (as of end of period; without apprentices) | - | 8,002 | 7,522 | 7,324 | 7,236 | 7,136 |

Metals

| | Unit | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|------|---------|---------|---------|---------|---------|
| Order intake | MEUR | 1,606.5 | 1,551.5 | 1,438.6 | 1,692.8 | 1,233.8 |
| Order backlog (as of end of period) | MEUR | 1,309.7 | 1,369.0 | 1,332.5 | 1,566.1 | 1,427.6 |
| Sales | MEUR | 1,643.5 | 1,598.4 | 1,718.1 | 1,550.4 | 1,311.0 |
| EBITDA | MEUR | 129.7 | 141.7 | 104.8 | 134.0 | 76.6 |
| EBITDA margin | % | 7.9 | 8.9 | 6.1 | 8.6 | 5.8 |
| EBITA | MEUR | 98.6 | 115.2 | 70.5 | 110.2 | 53.5 |
| EBITA margin | % | 6.0 | 7.2 | 4.1 | 7.1 | 4.1 |
| Capital expenditure | MEUR | 29.7 | 49.1 | 40.2 | 27.9 | 32.7 |
| Employees (as of end of period; without apprentices) | - | 7,573 | 7,608 | 6,160 | 6,432 | 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 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|------|-------|-------|-------|-------|-------|
| Order intake | MEUR | 622.4 | 597.5 | 596.5 | 595.8 | 604.1 |
| Order backlog (as of end of period) | MEUR | 364.5 | 347.3 | 352.2 | 360.5 | 352.9 |
| Sales | MEUR | 602.8 | 593.8 | 628.0 | 587.3 | 589.7 |
| EBITDA | MEUR | 36.4 | 25.8 | 31.5 | 33.2 | 13.3 |
| EBITDA margin | % | 6.0 | 4.3 | 5.0 | 5.7 | 2.3 |
| EBITA | MEUR | 27.5 | 17.1 | 22.3 | 21.6 | -0.6 |
| EBITA margin | % | 4.6 | 2.9 | 3.6 | 3.7 | -0.1 |
| Capital expenditure | MEUR | 8.7 | 10.2 | 12.7 | 11.1 | 8.2 |
| Employees (as of end of period; without apprentices) | - | 2,754 | 2,772 | 2,794 | 2,846 | 2,832 |

MANAGEMENT REPORT

GENERAL ECONOMIC CONDITIONS

The global economy was characterized by the continuing economic recovery in the world's main economic regions in 2017.

In the USA, the economic upswing that has now prevailed for eight years, continued. Growth of the gross domestic product (GDP) amounted to 2.3% during the reporting period. The main growth driver was private consumption, which accounts for around 70% of the economic performance in the USA. Unemployment dropped again slightly, reaching a level of 4.1% at the end of the year, which is the lowest level in 17 years. Due to this positive economic environment, the US Federal Reserve (FED) increased the key interest rate as expected in mid-December for the third time in 2017 to a range between 1.25 and 1.50% and signaled further increases in interest rates if the economic upswing also continues in 2018.

The euro zone also saw a strong economic upswing during the reporting period and, at 2.5%, achieved the highest GDP growth in ten years. The driving force behind the upswing is, above all, the expansive monetary and low-interest policy pursued by the European Central Bank (ECB), which supports private consumption and investments in industry. In addition, the European export market was able to profit from the favorable economic climate in the emerging markets. The ECB left the key interest rate at the record low of 0.0% in spite of the improved economic environment, but announced that it would halve the monthly bond purchase program to 30 billion euros as from January 2018.

As in the USA and Europe, economic development was also positive in the main emerging economies during the reporting period. China's economic growth reached around 6.9% in the past year. Both private consumption and exports were the main contributors to this. Industrial production remained at a stable level. After two years of recession and in spite of the Western sanctions, Russia's economy saw a recovery in 2017, with growth of around 1.8%. In addition to Russia, Brazil also profited from increasing prices for raw materials and emerged from a long recession phase.

Source: Research reports by various banks, OECD

MARKET DEVELOPMENT

Hydro

Global investment and project activity for electromechanical equipment for hydropower plants continued at a subdued level during the 2017 business year – individual projects were awarded selectively in Asia, Europe, and North America. Due to the unchanged, difficult market conditions caused by low electricity and energy prices, many modernization and refurbishment projects were postponed until further notice, especially in Europe. In the emerging markets, particularly in Asia, Africa, and South America, some new hydropower projects are currently in the planning phase. Overall, good project activity was noted for pumps. Some larger orders were awarded for special pumps in Asia in particular – especially in India.

Pulp & Paper

The international pulp market saw positive development in the 2017 business year and thus continued its upward trend. In view of the continuing high demand for pulp – particularly from Chinese paper producers – accompanied by a stable supply, the price of short-fiber pulp (eucalyptus) increased from around 650 USD per ton at the beginning of the year to approximately 980 USD per ton at the end of 2017. The price for NBSK (Northern Bleached Softwood Kraft Pulp) long-fiber pulp also increased from around 810 USD per ton at the end of December 2016 to approximately 1,000 USD per ton at the end of December 2017. Overall, the market for pulping equipment showed good project activity.

Metals

In the Metal Forming sector (presses, press lines) for the automotive and automotive supplying industry (Schuler), project and investment activity by the manufacturers of so-called “high premium” cars was moderate overall. Only a few individual orders were awarded selectively. Project and investment activity in the market segment served by Yadon in the Chinese automotive supplying industry continued to see favorable development.

Project activity for equipment for the production and processing of stainless steel and carbon steel strip increased slightly during the reporting period, however starting from the very low levels of the past few years. The main investment drivers were rising steel prices on the international markets and the improved financial situation of many steel producers. Competition on the equipment market remained challenging despite the somewhat improved market conditions.

Separation

The global market for solid/liquid separation equipment continued to show good development overall in 2017. The environmental and also the mining and minerals sectors in particular showed good project activity. The demand in the chemical and pharmaceutical industries was also satisfactory. Only the food industry showed unchanging, low investment activity. In the Feed Technologies sector (plants for the production of animal feed and biomass pellets), project activity was moderate.

BUSINESS DEVELOPMENT

Change in the Consolidation Group

Information on the consolidation scope can be found in the notes to the consolidated financial statements, chapter "C) Consolidation scope".

Sales

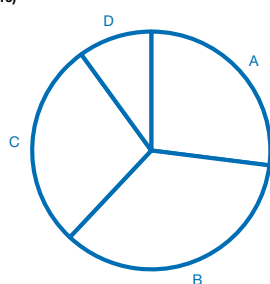
Sales of the ANDRITZ GROUP amounted to 5,889.1 MEUR in the 2017 business year and were thus slightly lower than the reference figure for the previous year (2016: 6,039.0 MEUR). Sales in the Hydro business area dropped significantly (-9.7%), mainly due to the decline in order intake in the past few years and the resulting lower sales generation. Similarly, sales in the Pulp & Paper business area declined slightly (-1.7%) compared to the previous year, which was positively impacted in particular by processing of a large order for a new pulp mill. In contrast, the Metals (+2.8%) and Separation (+1.5%) business areas saw a slight increase in sales compared to the previous year. The business areas' sales development at a glance:

| | Unit | 2017 | 2016 | +/- |
|--------------|------|---------|---------|-------|
| Hydro | MEUR | 1,583.1 | 1,752.4 | -9.7% |
| Pulp & Paper | MEUR | 2,059.7 | 2,094.4 | -1.7% |
| Metals | MEUR | 1,643.5 | 1,598.4 | +2.8% |
| Separation | MEUR | 602.8 | 593.8 | +1.5% |

Sales by business area

2017 in %

(2016)

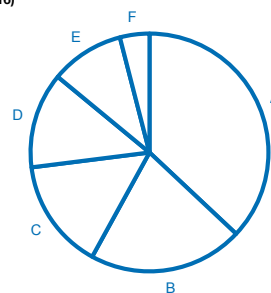


| | | | |
|---|-----------|------|--------------|
| A | 27 | (29) | Hydro |
| B | 35 | (35) | Pulp & Paper |
| C | 28 | (26) | Metals |
| D | 10 | (10) | Separation |

Sales by region

2017 in %

(2016)



| | | | |
|---|-----------|------|----------------------|
| A | 37 | (35) | Europe |
| B | 21 | (21) | North America |
| C | 15 | (12) | China |
| D | 13 | (12) | Asia (without China) |
| E | 10 | (15) | South America |
| F | 4 | (5) | Africa, Australia |

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

| | 2017 | 2016 |
|---------------|------|------|
| ANDRITZ GROUP | 34 | 32 |
| Hydro | 29 | 26 |
| Pulp & Paper | 42 | 41 |
| Metals | 24 | 22 |
| Separation | 47 | 46 |

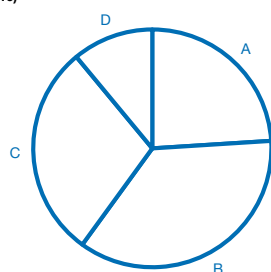
Order intake

The order intake of the Group amounted to 5,579.5 MEUR and was thus practically unchanged compared to the previous year's reference figure (2016: 5,568.8 MEUR). The business areas' development in detail:

- Hydro: In view of the unchanged, difficult market conditions – caused by the low electricity prices, particularly in Europe, the order intake of 1,317.2 MEUR was significantly lower than the – already low – previous year's reference figure (-12.2% versus 2016: 1,500.3 MEUR).
- Pulp & Paper: The order intake developed very satisfactorily – both for the capital and the service business – and increased to 2,033.4 MEUR (+5.9% versus 2016: 1,919.5 MEUR).
- Metals: At 1,606.5 MEUR, order intake was 3.5% higher than the previous year's reference figure (2016: 1,551.5 MEUR). While the Metals processing sector saw a significant increase in order intake compared to the previous year, the order intake in the Metal forming sector for the automotive and automotive supplying industries (Schuler) was slightly below the level of the previous year's reference period.
- Separation: At 622.4 MEUR, order intake developed favorably (+4.2% versus 2016: 597.5 MEUR). The solid/liquid separation sector saw very positive development and was able to increase its order intake significantly compared to the previous year's reference period and thus overcompensated the declining order intake in the feed technologies sector.

Order intake by business area 2017 in %

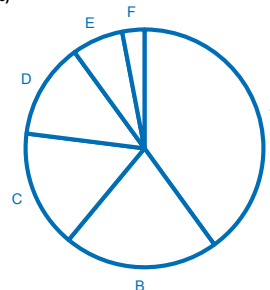
(2016)



| | | |
|---|---------|--------------|
| A | 24 (27) | Hydro |
| B | 36 (34) | Pulp & Paper |
| C | 29 (28) | Metals |
| D | 11 (11) | Separation |

Order intake by region 2017 in %

(2016)



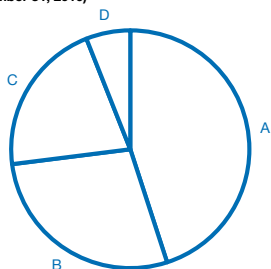
| | | |
|---|---------|----------------------|
| A | 40 (41) | Europe |
| B | 21 (20) | North America |
| C | 16 (16) | China |
| D | 13 (11) | Asia (without China) |
| E | 7 (8) | South America |
| F | 3 (4) | Africa, Australia |

Order backlog

As of December 31, 2017, the order backlog of the ANDRITZ GROUP amounted to 6,383.0 MEUR (-6.0% versus December 31, 2016: 6,789.2 MEUR).

Order backlog by business area as of December 31, 2017 in %

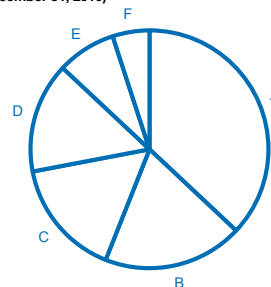
(December 31, 2016)



| | | | |
|---|-----------|------|--------------|
| A | 45 | (48) | Hydro |
| B | 28 | (27) | Pulp & Paper |
| C | 21 | (20) | Metals |
| D | 6 | (5) | Separation |

Order backlog by region as of December 31, 2017 in %

(December 31, 2016)



| | | | |
|---|-----------|------|----------------------|
| A | 37 | (34) | Europe |
| B | 19 | (19) | Asia (without China) |
| C | 16 | (17) | North America |
| D | 15 | (14) | China |
| E | 8 | (10) | South America |
| F | 5 | (6) | Africa, Australia |

Earnings

Despite the slight decline in sales, the EBITA of the Group reached 444.0 MEUR and was thus practically at the same level as the reference figure for the previous year (2016: 442.1 MEUR). Among other things, this was positively impacted by the sale of the Schuler Technical Center in Tianjin, China, which was launched in 2014 and has developed successfully since then. Profitability (EBITA margin) increased to 7.5% (2016: 7.3%). Excluding extraordinary effects, the Group's EBITA would have amounted to 420.4 MEUR and profitability to 7.1%.

Development of profitability by business area:

- The EBITA margin in the Hydro business area reached – despite a decrease in sales – a satisfactory level of 7.8% (2016: 7.3%).
- In the Pulp & Paper business area, profitability increased to 9.5%, reaching a very favorable level such as in the previous year (2016: 8.7%), with very positive developments in both capital and service business.
- At 6.0%, the EBITA margin in the Metals business area was below the previous year's level (2016: 7.2%) in spite of the extraordinary effect mentioned above. This is largely attributable to cost overruns on some projects in the Metals processing sector.
- In the Separation business area, the EBITA margin increased to 4.6% (2016: 2.9%).

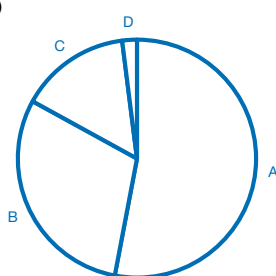
Consolidated income statement

| (in MEUR) | 2017 | 2016 | +/- |
|--|----------------|----------------|---------------|
| Sales | 5,889.0 | 6,039.0 | -2.5% |
| Changes in inventories of finished goods, work in progress and capitalized cost of self-constructed assets | 38.6 | 13.7 | +181.8% |
| Other operating income | 188.4 | 77.5 | +143.1% |
| Cost of materials | -3,028.8 | -3,121.4 | +3.0% |
| Personnel expenses | -1,717.8 | -1,656.6 | -3.7% |
| Other operating expenses | -827.7 | -809.8 | -2.2% |
| EBITDA | 541.7 | 542.4 | -0.1% |
| Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment | -136.0 | -142.2 | +4.4% |
| Impairment of goodwill | -6.4 | -14.4 | +55.6% |
| EBIT | 399.3 | 385.8 | +3.5% |
| Financial result | 1.3 | 12.6 | -89.7% |
| EBT | 400.6 | 398.4 | +0.6% |
| Income taxes | -135.0 | -123.6 | -9.2% |
| NET INCOME | 265.6 | 274.8 | -3.3% |
| Thereof attributable to: | | | |
| Shareholders of the parent | 263.0 | 274.6 | -4.2% |
| Non-controlling interests | 2.6 | 0.2 | +1,200.0% |
| Basic earnings per no-par value share (in EUR) | 2.58 | 2.69 | -4.1% |

Allocation of expenses in %

Distribution of total expenses
2017 in %

(2016)



| | | |
|---|----------------|--------------------------|
| A | 53 (54) | Cost of materials |
| B | 30 (29) | Personnel expenses |
| C | 15 (14) | Other operating expenses |
| D | 2 (3) | Depreciation |

53.0% of total operating expenses were attributable to material expenses in 2017 (2016: 54.4%). The material expenses to sales ratio amounted to 51.4% (2016: 51.7%). The share of personnel expenses, at 30.1%, was slightly higher than the figure for the previous year's reference period (2016: 28.9%), the personnel expenses to sales ratio amounted to 29.2% (2016: 27.4%).

Other operating expenses amounted to 827.7 MEUR in the reporting period (2016: 809.8 MEUR) and mainly include sales expenses, travel expenses, repairs and maintenance as well as rents and lease expenses. Other

operating income, at 188.4 MEUR, was significantly higher than for the previous year (2016: 77.5 MEUR) and mainly includes profits on disposal of intangible assets and property, plant, and equipment (mainly attributable to the sale of the Schuler Technical Center in Tianjin, China, and the sale of properties in Germany and Switzerland), insurance income and government grants.

The depreciation and amortization of intangible assets and of property, plant, and equipment amounted to 136.0 MEUR in 2017 (2016: 142.2 MEUR). Thereof 42.8 MEUR (2016: 48.7 MEUR) are attributable to depreciation and amortization of intangible assets and 86.7 MEUR (2016: 91.2 MEUR) to depreciation and amortization of property, plant, and equipment.

In 2017, the Group's goodwill impairment amounted to 6.4 MEUR (2016: 14.4 MEUR), and the impairment charges for intangible and tangible assets were 6.4 MEUR (2016: 8.0 MEUR). The goodwill impairment relates to Hydro (5.9 MEUR), and the Separation business areas (0.5 MEUR), where the business of some Group companies did not develop as expected. Impairment of intangible and tangible assets mainly relates to plant, technical installations, and equipment.

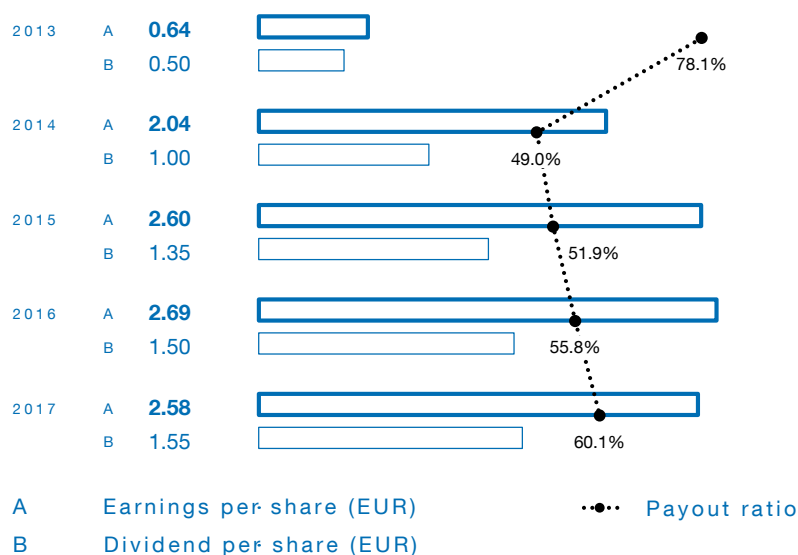
The financial result decreased significantly to 1.3 MEUR (2016: 12.6 MEUR). This is mainly due to the substantially lower interest rates in Brazil as well as interest expense for both the Schuldscheindarlehen issued in June 2017 and the call option for the remaining stake in Yadon. The improved other financial result mainly relates to gains from the sale of securities as well as the valuation of intercompany loans and bank balances in foreign currencies (FX) on balance sheet date.

The tax rate increased to 33.7% (2016: 31.0%) due to changes in valuation allowances and in non-recognition of deferred tax assets, among other things, and due to the tax reform in the USA (see also notes to the consolidated financial statements, chapter "G) 8. Income taxes".

The net income (including non-controlling interests) amounted to 265.6 MEUR (-3.3% versus 2016: 274.8 MEUR). Thereof 263.0 MEUR (2016: 274.6 MEUR) are attributable to the shareholders of the parent company and 2.7 MEUR (2016: 0.2 MEUR) to non-controlling interests (see also notes to the consolidated financial statements, chapter "I) 23. Equity".

The earnings per share decreased to 2.58 EUR (2016: 2.69 EUR). At the Annual General Meeting on March 23, 2018, the Executive Board will propose an increase of dividend to 1.55 EUR (2016: 1.50 EUR) per share for the 2017 business year. This is equal to a payout ratio of around 60.1% (2016: around 55.8%).

Earnings and dividend per share/payout ratio



Dividend for 2017: Proposal to the Annual General Meeting.

Treasury shares

As of December 31, 2017, the company held 2,940,870 treasury shares, i.e. 2.8% of the share capital, with a market value of 138.5 MEUR.











More information on treasury shares is available in the notes to the consolidated financial statements, chapter "I) Notes to the consolidated statement of financial position".

Net worth position and capital structure

The net worth position and capital structure as of December 31, 2017 remained solid. Total assets amounted to 6,265.3 MEUR (December 31, 2016 adjusted: 6,198.6 MEUR). The equity ratio reached 21.2% (December 31, 2016: 21.7%).

Liquid funds amounted to 1,772.3 MEUR (December 31, 2016: 1,507.1 MEUR), net liquidity amounted to 908.0 MEUR (December 31, 2016: 945.3 MEUR). The increase in liquid funds is mainly due to the issuance of a long-term Schuldscheindarlehen of 400 MEUR at a fixed interest rate in June 2017.

Development of liquid funds and net liquidity

| | | | |
|------|---|----------------|---|
| 2013 | A | 1,517.0 |  |
| | B | 893.1 |  |
| 2014 | A | 1,701.6 |  |
| | B | 1,065.1 |  |
| 2015 | A | 1,449.4 |  |
| | B | 984.0 |  |
| 2016 | A | 1,507.1 |  |
| | B | 945.3 |  |
| 2017 | A | 1,772.3 |  |
| | B | 908.0 |  |

A Liquid funds (MEUR)

B Net liquidity (MEUR)

In addition to the high liquidity, the ANDRITZ GROUP also had the following credit and surety lines for performance of contracts, down payments, guarantees, and so on, at its disposal:

- Credit lines: 131 MEUR, thereof 99 MEUR utilized
- Surety lines: 6,074 MEUR, thereof 2,571 MEUR utilized

Assets

| A | B | C |
|---|--|---|
|  |  |  |

| | | |
|---|--|--------------|
| A | Long-term assets: 30% | 1,860.8 MEUR |
| B | Short-term assets: 44% | 2,767.2 MEUR |
| C | Cash and cash equivalents and marketable securities: 26% | 1,637.3 MEUR |

Shareholders' equity and liabilities

| A | B | C | D |
|---|---|---|--|
|  |  |  |  |

| | | |
|---|---|--------------|
| A | Shareholders' equity incl. non-controlling interests: 21% | 1,325.4 MEUR |
| B | Financial liabilities: 14% | 873.8 MEUR |
| C | Other long-term liabilities: 12% | 773.9 MEUR |
| D | Other short-term liabilities: 53% | 3,292.2 MEUR |

On the asset side, property, plant, and equipment (762.3 MEUR), goodwill (547.6 MEUR), and intangible assets (160.7 MEUR) were the most important items in non-current assets (1,860.8 MEUR). The most important items in the other current assets, amounting to 2,767.2 MEUR, are trade accounts receivable as well as cost and earnings

of projects under construction in excess of billings (1,491.5 MEUR) booked according to the percentage-of-completion method, and inventories (761.0 MEUR).

On the liabilities side, the other current liabilities (3,292.2 MEUR) mainly include billings in excess of cost and earnings of projects under construction booked according to the percentage-of-completion method (1,052.6 MEUR), provisions (484.1 MEUR), and trade accounts payable (461.2 MEUR). The most important items in other liabilities (943.0 MEUR) are accruals and outstanding order-related costs (482.0 MEUR), as well as unused vacation and other personnel-related accruals (234.4 MEUR). Non-current liabilities, at 773.9 MEUR, largely contain provisions (582.1 MEUR) and deferred tax liabilities (87.9 MEUR).

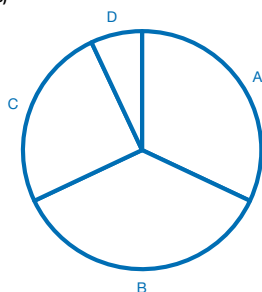
Further information on provisions is shown in the notes to the consolidated financial statements, chapter "I) Notes to the consolidated statement of financial position".

Capital expenditure

Investments in tangible and intangible assets amounted to 116.8 MEUR in 2017 and were thus slightly below the previous year's level (2016: 119.5 MEUR). Investments breakdown by business area as follows:

Capital expenditure by business area 2017 in %

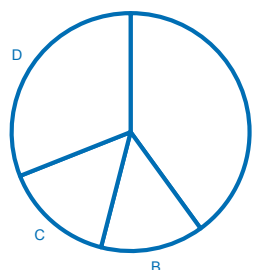
(2016)



| | | | |
|---|-----------|------|--------------|
| A | 32 | (21) | Hydro |
| B | 36 | (29) | Pulp & Paper |
| C | 25 | (41) | Metals |
| D | 7 | (9) | Separation |

Capital expenditure by category 2017 in %

(2016)



| | | | |
|---|-----------|------|--------------------------|
| A | 40 | (39) | Manufacturing |
| B | 14 | (11) | IT |
| C | 15 | (10) | Research and Development |
| D | 31 | (40) | Others |

As in previous years, investments mainly focused on workshop modernizations and selected extension projects. Investments in new facilities mainly included the construction of the Tissue Innovation & Application Center (TIAC) as well as the renovation of the office building of ANDRITZ AG in Graz, Austria.

Cash flow

The cash flow from operating activities, at 246.5 MEUR, was significantly lower than the previous year's reference figure (2016: 366.6 MEUR). The change mainly resulted from the decrease in Gross cash flow as well as higher paid income taxes.

The cash flow from investing activities amounted to -544.0 MEUR (2016: -239.6 MEUR). The major change mainly resulted from higher payments made for securities and other current financial assets.

The cash flow from financing activities amounted to 134.5 MEUR (2016: -123.2 MEUR). The change mainly resulted from the issuance of a Schuldscheindarlehen in June 2017 (nominal value: 400 MEUR).

Further important key figures at a glance

| | Unit | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|------|--------|--------|--------|--------|--------|
| Return on sales | % | 6.8 | 6.4 | 5.8 | 5.0 | 1.6 |
| EBITDA | MEUR | 541.7 | 542.4 | 534.7 | 472.0 | 255.2 |
| Earnings Before Interest and Taxes (EBIT) | MEUR | 399.3 | 385.8 | 369.1 | 295.7 | 89.8 |
| Earnings Before Taxes (EBT) | MEUR | 400.6 | 398.4 | 376.4 | 299.4 | 80.3 |
| Net income (including non-controlling interests) | MEUR | 265.6 | 274.8 | 270.4 | 210.0 | 53.2 |
| Free cash flow | MEUR | 129.7 | 263.7 | 85.0 | 245.8 | -11.5 |
| Free cash flow per share | EUR | 1.2 | 2.5 | 0.8 | 2.4 | -0.1 |
| Return on equity | % | 30.2 | 29.6 | 31.0 | 28.8 | 8.6 |
| Return on investment | % | 6.4 | 6.2 | 6.4 | 4.9 | 1.6 |
| Net debt | MEUR | -530.6 | -550.2 | -601.6 | -659.4 | -585.0 |
| Net working capital | MEUR | -121.0 | -215.8 | -182.1 | -570.9 | -539.4 |
| Capital employed | MEUR | 801.9 | 772.2 | 736.7 | 387.0 | 443.6 |
| Gearing | % | -40.0 | -40.9 | -49.5 | -63.5 | -62.9 |

Acquisitions

ANDRITZ GROUP has acquired a 100% stake in Paperchine, Inc., USA, and its subsidiaries. The company has approximately 180 employees and manufacturing facilities in the USA, Canada, Thailand, and Germany. Paperchine is a global supplier of highly engineered equipment and services to the paper industry's leading manufacturers. For ANDRITZ, the acquisition of Paperchine strengthens its presence in North America and adds new products, such as the horizontal GapFormer, SigmaPro headbox, dewatering elements (former Johnson Foils), moisturizer (former VIB), and related service to its offerings for international clients. This acquisition complements the Pulp & Paper business area's product portfolio. The closing of the transaction took place at the end of June 2017.

In April 2017, the ANDRITZ GROUP acquired a 50.1% stake in the laser company Powerlase Photonics Ltd., Crawley, United Kingdom, and its subsidiaries. The high-tech company supplies – beside the Metals business area – international customers from the photovoltaic, microelectronics, automotive, and aerospace industries. This acquisition complements the Metals business area's product portfolio. Due to the minor importance for the assets, liabilities, financial position, and profit or loss these companies will not be included in the consolidated financial statements.

Further information on acquisitions can be found in the notes to the consolidated financial statements, chapter "D) Acquisitions".

RISK MANAGEMENT

The ANDRITZ GROUP is a globally-operating company serving a large variety of industrial markets and customers. As such, the Group is subject to a series of risks. The main, general risks largely include:

- Risks relating to financial instruments
- Strategic risks
- Operational risks

The active risk management implemented by the ANDRITZ GROUP for many years now serves both to safeguard the company's existence in the long term as well as to increase its value, and is thus an essential success factor for the entire Group. For the purposes of value-oriented company management, risk management is an integral part of the business processes and extends over all strategic and operative levels.

The planning and controlling process within the entire ANDRITZ GROUP is an integral part of risk monitoring and control. 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 sufficient and adequately effective.

The current political tensions between the USA and North Korea could have a negative effect on the world economy if it continues to escalate and thus could also have a negative impact on development of the ANDRITZ GROUP's order intake. The medium- to long-term economic impact of the United Kingdom (UK) leaving the European Union (EU) cannot be estimated yet. However, its influence is expected to be minor, according to economic researchers. If economic growth in Europe drops significantly as a result of Brexit, this could have a negative impact on the business development of the ANDRITZ GROUP because Europe is the most important economic region for the Group, accounting for an average of 35-40% of its total sales. However, the ANDRITZ GROUP's direct business volume in the UK is small.

The medium- to long-term effects that the Trump administration will have on the global economy cannot be estimated at this point in time. However, ANDRITZ has a very strong local presence in the USA, with over 20 production and service locations and approximately 2,000 employees. All four business areas are represented in the USA. From today's perspective, the effects on ANDRITZ can be considered insignificant. On the other hand, if other regulatory measures are implemented that have negative consequences for non-American companies, the impact on ANDRITZ would be substantial after all.

The risks described below are monitored continuously. If any of these risks materializes, the Group will be prepared to react and to counteract as far as possible.

Risks relating to financial instruments

The principal financial risks include payment default, liquidity risks, and market risks, such as exchange rate risks, interest rate risks, and raw material price risks.

A detailed description of all financial risks of the ANDRITZ GROUP is provided in chapter "L) Risk management – Risks relating to financial instruments", of the Notes to the Consolidated Financial Statements.

Strategic risks

Political risks

The countries in which the Group is active include some that are classified as politically risky or very risky. Terrorist activities or political changes could result in orders being suspended. Risks related to deliveries to countries with medium to high political risks are typically covered by comprehensive insurance. However, the requirements for full hedging of these risks are not always available. The measures and procedures in this respect are specified in the credit risk policy applying throughout the Group.

Regulatory risks

Regulatory risks include both tax risks as well as compliance risks.

The ANDRITZ group companies are subject to local tax laws in the respective countries and have to pay income taxes as well as other taxes. Changes in tax legislation and different interpretations of the regulations applying in each case can result in subsequent tax burdens. As a result, the tax rate can be exposed to either positive or negative fluctuations.

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 established a Compliance Committee to control its compliance efforts and adopted a number of compliance policies, including policies prohibiting insider trading and violation of the applicable anti-trust and anti-bribery laws, as well as a global Code of Business Conduct and Ethics. While the Group attempts to make sure that such policies are observed, there can be no assurance that no violations will occur or have occurred. Any such violation could have a lasting adverse impact on the financial position and reputation of the Group and may also lead to the cancellation of existing orders.

Competitive position

The ANDRITZ GROUP does business in highly competitive markets in which only a few large suppliers bid for only a few large orders. In addition, there are many small companies competing locally that have a comparatively low cost base. The competitive situation or a possible change in the competition structure can have a negative effect on sales margins of the Group. There is no guarantee that the Group can also maintain its current market position in the future.

As the Group's competitive position is also based on proprietary technology, the increase in product piracy and industrial espionage facilitated by the digital era and accompanying theft of intellectual property can also have an adverse effect on the Group's competitive position. The Group protects its intellectual property wherever possible, but there can be no assurance that these efforts will always be successful.

Customer concentration

In many of the industries served by the ANDRITZ GROUP, there is a trend towards consolidation and mergers. This applies above all to the pulp and paper industry, and also the steel industry. Such consolidation may result in the Group having to negotiate with fewer companies in the future, but these companies have greater purchasing power. The dependence on key customers may increase, and this could have direct consequences on the Group's business activities.

Volatility of incoming orders

Some customers and industries served by the ANDRITZ GROUP are directly dependent on general economic developments 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 may be affected. The prices for equipment and products supplied by ANDRITZ in these segments are, in part, directly dependent on the

prevailing relationship between supply and demand for the goods produced by such equipment and products of ANDRITZ. Possible price fluctuations can, therefore, have a direct influence on each customer's capital investment decisions, with subsequent impact on the Group's order intake. This may lead to some volatility in the development of the Group's order intake.

The Schuler Group, in which the ANDRITZ GROUP holds a majority stake, 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.

Among other things, the Group's future performance depends on 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 aligning the Group's fixed costs and predicted order volume.

In addition, natural disasters or pandemics could also have a negative effect on development of the order intake, the liquidity, and the financial structure of the Group.

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.

However, there is 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 largely successful in integrating newly acquired companies. However, 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 will not be exposed to new or legacy risks that have not been identified or accurately evaluated.

Procurement and manufacturing

The Procurement department regularly checks the important suppliers for the ANDRITZ GROUP in order to identify risk potentials (ability to deliver, quality management, financial situation, etc.) and risks at an early stage. This also applies to orders beyond a defined amount. In addition, capacities are checked and, if possible, a second supply option is reviewed.

In manufacturing, precise planning, high commitment, and flexible employees are essential factors to ensure short lead times and on-time production. Internally, ANDRITZ uses flextime contracts and, especially in Europe, a flexible contingent of temporary workforce to cope with cyclical fluctuations and peaks in workload. Also, the fluctuations in capacity utilization that are typical of project-related business are balanced better with a targeted make-or-buy strategy and best possible utilization of the company's own manufacturing capacities. At the same time, 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 checks on quality, on-time delivery, and compliance. The ANDRITZ GROUP tries to balance out fluctuations in capacity utilization as flexibly as possible. However, there is no guarantee that ANDRITZ will always be able to compensate immediately for larger fluctuations in capacity utilization, and failure to do so could in turn have a negative impact on the earnings development of the Group.

Human resources

In Human resources, special emphasis was again placed on developing and strengthening the necessary personnel resources in the past year. The corresponding measures largely include offering interesting career opportunities, incentive plans, and focused training programs. The ANDRITZ GROUP seeks to be an attractive employer for its employees and also tie them to the company in the long-term. High quality standards in the selection process guarantee that the most suitable candidates are recruited for the positions becoming vacant. As part of succession planning, internal candidates for key positions are identified in order to have enough candidates available in the short and medium term. However, ANDRITZ cannot guarantee that it will always be able to fill vacant positions immediately with people that meet the requirements and are qualified for the position concerned. As a result, external candidates are also considered for vacant positions, and the recruiting process increasingly uses social media platforms for this purpose.

Local development programs for special target groups (for example employees working in sales or procurement, or management staff in the manufacturing department) were conducted in many of the Group's companies. In order to address the possible need for personnel on account of increased business activities in China, more attention is being paid to management training there. In developing the programs, care is taken wherever possible to combine these training courses with globally organized ANDRITZ personnel development programs. Existing training programs are adapted regularly to current requirements. Potentials to optimize the existing organizational structure were assessed with the support of professional partners.

Digitalization

Based on extensive and long-term experience as a supplier of technologies and systems for various branches of industry, ANDRITZ offers a broad portfolio of intelligent, digital solutions that provide significant help to customers in achieving their production and corporate goals. These innovative Industry 4.0 solutions that have been tested worldwide in many reference plants are combined under the technology brand Metris. Metris is based on three strategic pillars: Industrial IIoT with technology focus on smart sensors, big data and augmented reality, Smart services, and the Ventures sector. Metris technologies are the very latest state of the art, and they are subject to constant further development and can be fully tailored to individual customer requirements. ANDRITZ considers digitalization to be a vital growth sector for the future and hence, will focus strongly on development of digital products and solutions, including data security, in the coming years. However, the speed at which digitalization is progressing also presents a risk if ANDRITZ does not succeed in mastering the challenges relating both to development of products and solutions and to internal processes with the necessary speed.

Loss of image and customers due to suppliers having inadequate environmental and social standards

Adherence to internationally applicable environmental and social standards is important, especially when working with suppliers from emerging economies. Possible violations (e.g. child labor, disregarding of safety regulations, underpayment, disposal of hazardous substances, etc.) not only harm ANDRITZ's own image, but also jeopardize its existing or future business relationships with customers. This could have a negative effect on order intake and/or on the Group's order backlog. Thus, ANDRITZ endeavors to forge ahead with the implementation of internationally recognized environmental and social standards at suppliers' premises and also to check whether these standards are obeyed. A first important step was taken in developing a specific policy for suppliers on the basis of the general code of conduct. Two auditors have been deployed in China and India since last year in order to check standards at suppliers' premises.

Capital market risks

Apart from company-related factors, development of the ANDRITZ share price is also dependent on price fluctuations on the international financial markets. Major price fluctuations and high volatility on major stock markets may have a negative effect on the ANDRITZ share price.

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. ANDRITZ has consistently followed a policy of open and transparent information exchange with shareholders and the financial community to avoid unfounded fluctuations in its share price.

The high level (just under 70%) of public free float of ANDRITZ's total outstanding shares and its 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 indexes, for example the ATX, the leading index of the Vienna Stock Exchange, or other indexes. This could result in major changes in the price of the ANDRITZ share.

Operational risks

Project risks

In conjunction with the delivery of equipment and services supplied by ANDRITZ, the Group is under contractual obligation in many cases to provide performance guarantees and to meet certain deadlines. If the performance data stated are not achieved or if deadlines are not met, the Group may have to perform remedial work at its own expense or pay damages. If a guaranteed performance level is missed by a wide margin, deadlines are significantly exceeded, or the customer does not accept the plant for other reasons, the customer may have the right to terminate the agreement and return the subject of the contract to ANDRITZ for a full refund and recover damages. Such action could have a negative effect on the Group's financial development.

Many of ANDRITZ'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), particularly on projects that include engineering and/or construction of complete plants, and where labor services have to be bought from third parties.

As 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 the exact cost of the parts purchased. While ANDRITZ makes estimates using empirical data and quotes from potential suppliers, these estimates may not always be completely accurate. As a result, the Group has experienced considerable losses on some projects in the past. Problems and losses of this kind may also occur in future in a way that would adversely affect the Group's financial development.

In individual projects, ANDRITZ also has responsibility for plant-wide engineering and/or installation and construction in addition to the supply of ANDRITZ equipment and systems. These 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 risks relating to geology, construction, and installation. Additionally, the Group is exposed to the risks inherent in managing the third parties providing construction, installation, and engineering services on these projects (such as strikes and other labor disruptions, which can lead to delays in start-up or failure to meet deadlines). The Group has put risk management procedures in place, including insurance programs, contract policies, and project management discipline, to reduce these EPC-related risks (Engineering, Procurement, and Construction) as far as contracts allow. Nevertheless, there is no guarantee that these procedures are sufficient to prevent negative financial consequences. The Group has experienced significant losses on certain past 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.

In many EPC and other projects, the ANDRITZ GROUP participates with third parties with whom it shares several joint liabilities. While the Group attempts to make sure that risks in such projects are properly allocated, there can be no assurance that this will always 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 material impact on the financial results and the liquidity 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 certain amount of the orders are placed by 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.

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, 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. Given the amounts at stake in some of these disputes, a negative decision for ANDRITZ in one or several of these legal disputes may have a significant, adverse effect on the earnings and liquidity position of the Group.

In product liability, there are a number of cases alleging injuries and/or death resulting from exposure to asbestos. Details are available in the Notes to the Consolidated Financial Statements, chapter N) "Contingent Liabilities".

Currencies

A substantial number of the ANDRITZ GROUP's subsidiaries are located outside the euro zone. Since ANDRITZ AG reports in euros, the company converts the financial statements of these companies into euros in the consolidated financial statement. In order to address translation-related foreign exchange risks, it is generally assumed for the purposes of risk management that investments in foreign companies are made in the long term and the results are reinvested continuously. The effects of fluctuations in exchange rate when converting net asset items into euros are included in currency translation adjustments in Group equity.

A significant portion of the Group's sales and costs are denominated in non-euro currencies, mainly in US dollars. The currencies in these countries are subject to fluctuations in exchange rates. Currency risks in connection with orders that are not invoiced in euros are minimized by derivatives, in particular forward contracts and swaps.

Although the Group attempts to hedge the net currency exposure of those orders not invoiced in euros by 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 both positive and negative 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 many competitors of ANDRITZ are also based in the euro zone. As some of ANDRITZ's major customers are based outside of the euro zone, 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.

The change in the exchange rate of the euro against many other currencies could also have both a positive and a negative impact on the shareholders' equity as well as on the sales and earnings development of the ANDRITZ GROUP (translation effect).

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. The business areas occasionally assume joint liability for environmental risks in certain projects.

In addition, the ANDRITZ GROUP supplies many systems with products and/or processes that pose the risk of serious or fatal injury (also to a larger number of people), or of substantial property damage. Several systems involve the use of dangerous and hazardous chemicals and materials. Products of ANDRITZ are also used in the primary cooling 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, for example a spill of such hazardous materials, a fire, or an explosion, the Group could be held liable for property damage, personal or fatal injury, and environmental remediation. The Group can also be held liable in the event of industrial accidents by ANDRITZ employees or by third parties working on behalf of ANDRITZ.

Travel safety

A global Travel Risk Management Policy defines the key points of the travel safety program. In order to make foreign assignments by ANDRITZ employees as safe as possible, the Corporate Security Group Function continuously monitors the situation in risk countries to which employees are deployed and provides information on current developments to travelers and project managers. In 2017, this information source was greatly simplified and the quality very much improved.

A new – and significantly improved – country portal that can also be accessed via a smartphone app offers country-specific information, country analyses, and practical tips on the topics of travel health care and safety as well as updates and analyses on current developments in a specific country. An important innovation is the facility to inform travelers of probable forthcoming events (demonstrations, strikes, difficult weather conditions, airport closures, etc.) that may disrupt travel arrangements. The goal is to provide employees with as much information as possible on special risks and developments in a country so that they can make the best possible arrangements.

Two helplines – the ANDRITZ Medical and the ANDRITZ Security Travel Helplines – are available 24/7 to provide help before, during, and after the trip in the event of an emergency. The helplines' travel medicine specialists, safety experts, and situation analysts can answer general queries on the topic of safety when traveling as well as specific questions relating to the actual destination. In addition, they can recommend medical or meet-and-greet services at the travel destination. The primary objective is to offer staff comprehensive information and support to guarantee their safe return home. However, the possibility of employees being harmed – in spite of the comprehensive informative and safety measures – and the Group being held liable for this cannot be excluded.

Insurance

While the ANDRITZ GROUP maintains insurance programs to cover typical insurable risks related to its business, there can be no guarantee that this insurance can fully cover potential losses, that the insurers will be liable to

pay damages, nor that the amount of the Group's insurance will be adequate. Moreover, the Group is involved in certain industries (for example the space and nuclear industries) for which risks are uninsurable or cannot be insured against in full, or where it is not always possible to comply with all of the conditions required to contract insurance. Any material liability not covered by insurance could have a substantial, adverse effect on the Group's financial condition.

Cyber security, hacker attacks

The increasing digitalization and networking of plants and machinery requires highly effective and efficient solutions to maintain data security. Unauthorized access to or copying of sensitive company data as well as insufficient system availability as a result of hacker attacks are substantial risks to which ANDRITZ is increasingly exposed. This may not only affect ANDRITZ's own systems, but also IIoT solutions installed by ANDRITZ at customers' premises. ANDRITZ counters cyber risks and potential hacker attacks by using the latest IT security technologies (for example firewall systems) and by stricter control of access rights. One focus lies on continuous further development of security measures. Cyber attacks should be detected at an early stage with the aid of an optimized IT infrastructure so that they can be repelled successfully. However, unauthorized access to and loss of sensitive and confidential data both at ANDRITZ and at its customers' premises as a result of cyber attacks cannot be ruled out, nor can any resulting enormous financial losses for which ANDRITZ may be held responsible.

Internal control and risk management system

ANDRITZ has a Group-wide internal control and steering system (ICS) whose main task is to identify nascent risks at an early stage and – if possible – to take countermeasures. This system is an important element of active corporate management. However, there is no guarantee that these monitoring and control systems are effective enough.

The Executive Board is responsible for implementing and monitoring the ICS for the accounting process and financial reporting. For this purpose, binding Group-wide regulations and guidelines/policies have been implemented for the major business risks and also for the financial reporting process.

The accounting department, which includes financial accounting, reports directly to the Executive Board. Organizational measures have been made to ensure as far as possible 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 guidelines/policies that are intended to minimize any essential 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 financial software in use (SAP).

By using a standardized, Group-wide financial reporting system, together with instant occasion-driven reporting on major events, the Group endeavors to ensure that the Executive Board is properly and promptly informed 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 – for example in the event of acquisitions or restructuring – with direct and immediate information being provided to the Supervisory Board in special cases. In addition, the Chairman of the Supervisory Board receives a monthly report, including the key financial figures with comments. Internal control and risk management are among the topics dealt within audit committee meetings.

Internal Auditing, set up as an executive department reporting to the Executive Board, audits individual processes or Group companies according to an audit schedule defined for each year as well as conducting

audits in special cases. It is active in reporting and assessing the audit results as an independent, internal department that is not bound by instructions from outside bodies.

The auditor of the Group's financial statements assesses risk management functionality in the ANDRITZ GROUP and reports on it to the Supervisory and the Executive Boards. Risk management functionality was checked and approved in 2017 by the auditor of the Group's financial statements.

Consolidated Corporate Governance report

The consolidated Corporate Governance report is available in the section "Consolidated Corporate Governance report" or on the ANDRITZ website andritz.com.

Significant events after the balance sheet date

There were no events of material significance after the balance sheet date.

CONSOLIDATED NON-FINANCIAL STATEMENT

The following section describes non-financial performance indicators on social, employee, and environmental matters and in respect of human rights. Information on measures to combat bribery and corruption is available in the consolidated Corporate Governance report.

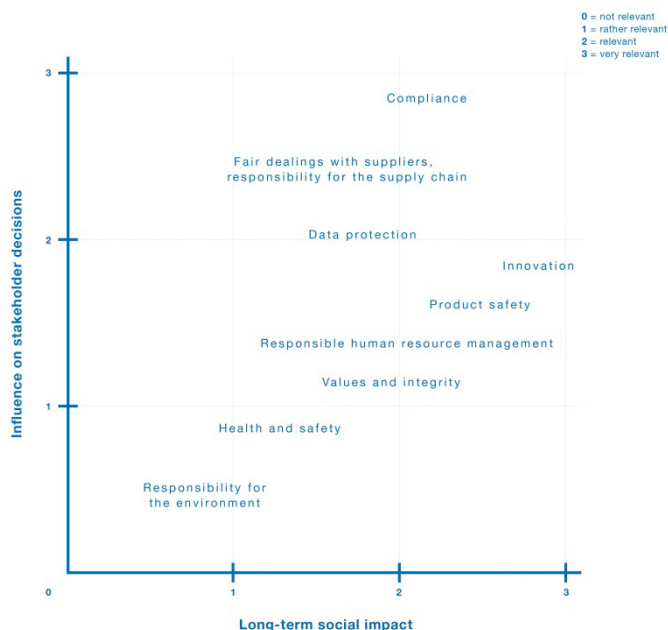
Materiality analysis

The ANDRITZ GROUP reports information relating to sustainability in accordance with the criteria of the Global Reporting Initiative (GRI Standards, Option: Core).

A stakeholder survey completed by approximately 300 participants was conducted in autumn 2017 in order to establish the main reporting topics and important fields of activity.

The survey dealt with just over 50 topics in total from six fields of activity. These questions addressed the long-term social influence of the respective topics on the one hand and the influence that these topics have on stakeholder decisions in connection with their business relations with ANDRITZ on the other hand. The survey was anonymous and conducted using an online questionnaire. In addition to the stakeholder survey, a media and market analysis was performed in order to find out which topics were predominant in public reporting about ANDRITZ.

The result of the survey showed the following: As in previous surveys, compliance and fair dealings with suppliers and business partners as well as accepting responsibility for the supply chain were rated as very important topics. Data protection, product safety, and responsible Human Resources (HR) management were also considered relevant. In addition, occupational safety and responsibility for the environment were categorized as important topics. Thus, all of these topics are relevant for ANDRITZ and, as a result, also form the basis of the reporting content.



A list of all Key Performance Indicators (KPIs) reported, including comments, is provided in the “GRI Index” chapter in the Notes to the Consolidated Financial Statements. New information provided can be found in the “Waste and energy” section because a new environmental management reporting system was used for the first time for the 2017 business year, gathering and analyzing data on the basis of the GRI indicators.

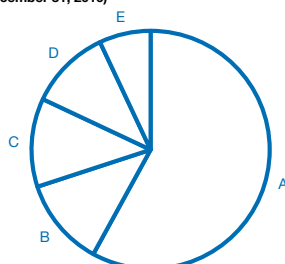
Employees

Motivated and committed employees are one of the fundamental requirements for ANDRITZ’s long-term success. As a result, employee satisfaction, comprehensive education and training opportunities, and work-life balance are the focus of our activities in HR management. Equal treatment, reliability, integrity, and respect are the central values to which ANDRITZ has committed and also shows towards its approximately 25,600 employees.

The structure of the workforce is as diverse as the individual products and business areas: As of the end of 2017, ANDRITZ had 25,566 employees (December 31, 2016: 25,162 employees) from more than 30 different countries. This diversity is important to ANDRITZ because it creates positive effects as a result of the exchange of knowledge and practical experience between people of different origins, ages, religions, and cultures.

Employees by region
as of December 31, 2017 in %

(December 31, 2016)



| | | |
|---|----------------|---|
| A | 58 (59) | Europe |
| B | 12 (12) | China |
| C | 12 (11) | North America |
| D | 11 (12) | South America |
| E | 7 (6) | Asia (without China), Australia, Africa |

The proportion of women in the Group increased slightly compared to the previous year and amounted to 15.4% in 2017 (2016: 15.1%).

Employees by gender

| | Absolute 2017 | Absolute 2016 | Percentage 2017 | Percentage 2016 |
|--------------|---------------|---------------|-----------------|-----------------|
| Men | 21,630 | 21,362 | 84.6% | 84.9% |
| Women | 3,936 | 3,800 | 15.4% | 15.1% |
| TOTAL | 25,566 | 25,162 | 100.0% | 100.0% |

Development and coordination of global HR activities is handled by the Group Human Resources department, which is also responsible for succession planning to key positions as well as for developing talented employees and candidates for executive positions within the Group.

A central element of Group-wide human resources development is the mentoring program. Employees taking part in the program for the development of management personnel for key positions are assigned a mentor who has held a management post at ANDRITZ for many years. The future executive can approach this mentor at any time with professional and personal queries. There are also regular private meetings to jointly discuss defined topics, pass on experience, and reflect upon the results.

The HR departments at the company's locations also run local employee development programs to support this process. The training programs are based on annual appraisal interviews, which cover not only the employee's personal job satisfaction, but also individual goals as well as professional advancement and vocational training measures. The annual appraisal interview provides an opportunity to provide mutual feedback and establish a detailed definition of future tasks and further career development within the company. In 2017, approximately 69.8% of the workforce Group-wide took part in annual appraisal interviews. In order to be able to identify optimization potential in the existing organization chart, management audits were also conducted in the past year with support from professional, external partners.

Equal treatment and fairness towards all employees creates job satisfaction

As an attractive employer, ANDRITZ's goal is to offer its workforce a working environment offering equal opportunities, attractive means of further development, and fair pay for all, regardless of their location worldwide.

The basic rights apply to all employees throughout the Group. These include the legal right of employees to co-determination and compliance with the principles and standards of the International Labour Organization (ILO) concerning the freedom of association, abolition of forced labor, child labor, and discrimination as well as fair and performance-based pay.

Regular and also event-driven meetings are held by the ANDRITZ AG Executive Board and the members of the Works Council to ensure and support an open and transparent exchange of information between both bodies. The company supports the formation of internal committees representing employees' interests. Freedom of assembly applies at all locations in accordance with the respective local legislation.

ANDRITZ does not condone or tolerate any form of employee harassment or discrimination by other employees due to gender, age, origin, religion, nationality, and so on. The working environment should be free of intimidating and offensive behavior for every employee. This is clearly documented in the Group-wide Code of Business Conduct and Ethics and in the HR policy applying throughout the Group. Possible ways of lodging a complaint are also defined. The notification periods for communication of significant changes in operations (closure of company locations, layoffs, etc.) are defined in a policy applying Group-wide.

Personnel expenses and social benefits

Personnel expenses amounted to 1,717.8 MEUR in the previous year (2016: 1,656.7 MEUR). Salaries for women averaged approximately 85% of salaries for men during the reporting period. Although this figure is within the European average, ANDRITZ is making every effort to close this pay gap. The goal defined is equal pay for equal work regardless of gender. ANDRITZ supports female employees with special career development opportunities and helps them while out studying at university or with child care, including company-run kindergarten facilities that have been opened at several locations.

At the end of 2017, there were 428 employees on parental leave (226 women and 202 men); this corresponds to 5.7% women and 0.9% men measured across the total number of employees in the Group (December 31, 2016: 352 employees total; 197 women and 156 men or 5.2% women and 0.7% men).

In countries where the welfare system is not as well developed as it is in Europe, ANDRITZ helps its employees with voluntary social services that extend beyond the legal requirements. These range from voluntary accident insurance, contributions to pension funds and life insurance policies, to support for dependents.

Work-life balance and employee retention

ANDRITZ pursues the goal of enabling all employees to maintain a good work-life balance. Part-time contracts, educational leave, sabbaticals, or other employment models are agreed if necessary and if the respective position allows. Health care also has high priority within the company. Various programs are running at the individual company locations that are adapted to the special needs of the employees in each case.

Age distribution in the company is well balanced. More than half of the employees are between 30 and 50 years old (2017: 57%; 2016: 56%), while the proportion of under-thirties is 15% (2016: 16%). 28% of the employees are over the age of 50 (2016: 28%).

Employee retention at ANDRITZ remains consistently at a very high level, amounting to approximately 11.3 years within the Group. The employees in Europe remain with the Group for the longest, averaging 13.9 years, followed by North America (9.4 years on average). The fluctuation rate amounted to 14.4% or 3,658 employees in 2017 (2016: 14.0% or 3,499 employees) and thus corresponds to the European average for industrial companies. 4,336 employees were given new employment contracts in the past year, 12% of whom were over 50 years old. In addition to the classic media, social media like LinkedIn were used increasingly in recruitment of external candidates.

In 2017, new employees took part in an anonymous survey that was conducted for the first time to find out about the initial period in the company, integration, and perception of ANDRITZ as new employer. This so-called “onboarding process” is to be conducted regularly in the future. The results are also intended to help optimizing the recruitment process at the various Group companies and further enhance employee satisfaction.

Fluctuation by gender and age group

| | Contracts terminated 2017 | Contracts terminated 2016 | Fluctuation rate 2017* | Fluctuation rate 2016* |
|-------------------------------|------------------------------|------------------------------|---------------------------|---------------------------|
| Men | 3,206 | 3,043 | 14.8% | 14.3% |
| Women | 452 | 456 | 11.7% | 12.0% |
| < 30 years old | 859 | 954 | 22.0% | 23.7% |
| 30-50 years | 1,874 | 1,781 | 13.0% | 12.6% |
| > 50 years old | 925 | 764 | 13.0% | 11.1% |
| TOTAL | 3,658 | 3,499 | 14.4% | 14.0% |
| without site workers** | 2,968 | 2,687 | 11.6% | 10.7% |

* Calculation of fluctuation rate: contracts terminated in relation to the average number of employees. Contracts terminated include dismissals by the employer and resignation of employees, including project-related site workers.

** Projection

Vocational training as an important social task

The apprentices of today are important skilled workers of tomorrow. This is why ANDRITZ focuses on sound vocational training in the apprentices' workshop in Graz established in 1922 or in the other locations around the world. As of December 31, 2017, there were 866 apprentices worldwide undergoing vocational training at a total of 41 subsidiaries (2016: 877 apprentices). During their training, the young employees acquire not only specific specialist knowledge, but also such key qualifications as quality awareness or a capacity for teamwork.

Through close cooperation with universities and other educational institutions, ANDRITZ has access to highly qualified young talents and is keen to motivate and gain them as employees for the company in the long term. For example, students receive support with their final papers and are also employed in the company during their studies in various ways – from marginal employment on an ongoing basis parallel to their education, to internships lasting several months.

Operating responsibly along the entire value chain is an important target for the company.

ANDRITZ has around 40,000 suppliers worldwide, but only around 10% of them cover almost 80% of the Group's external purchasing volume. All of the suppliers are inspected at regular intervals by the worldwide ANDRITZ purchasing organization, particularly with regard to their activities to promote sustainability.

The basic criteria for collaboration with a supplier in addition to quality, cost, and on-time delivery are the supplier's attitude towards occupational health and safety, compliance, and sustainability, as well as strict adherence to the ANDRITZ Supplier Code of Conduct. ANDRITZ relies on long-term partnerships on an equal footing and remains in close contact with suppliers during the entire execution period of an order. In the event of critical components or new suppliers, ANDRITZ also monitors the production process on the spot in many cases.

Global supply chain management at ANDRITZ is divided into three main areas: Strategic Purchasing Management (Forward Sourcing), Procurement Operations Development, and Global Logistics. These areas are supported by other functions such as Supplier Compliance and Sustainability. The global purchasing organization specifies strategic requirements and creates technical and contractual framework conditions for collaboration with the suppliers.

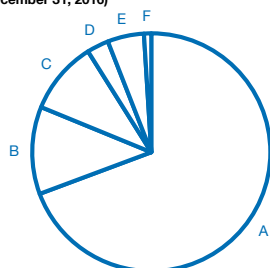
The purchasing volume in the past year was 4,021.5 MEUR (2016: 4,083.9 MEUR). In execution of its orders, ANDRITZ tries – as far as possible – to source its materials near the manufacturing facilities. Now that production capacities are being moved increasingly to China and India, ANDRITZ is using more suppliers from emerging economies.

The proportion of services and products sourced locally was 71.3% in 2017 (2016: 72.9%). 70.4% of the purchasing volume was generated in Europe, 16.3% in Asia, and 9.6% in North America.

The Group's manufacturing capacities are being transferred more and more towards the emerging markets, which will also have an effect on the distribution of purchasing volume in the long-term perspective.

**Purchasing volume by region
as of December 31, 2017 in %**

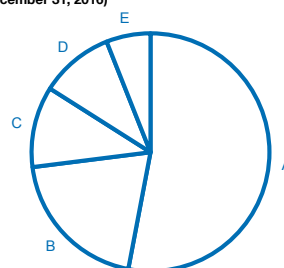
(December 31, 2016)



| | | | |
|---|-----------|------|----------------------|
| A | 70 | (69) | Europe |
| B | 12 | (12) | China |
| C | 10 | (10) | North America |
| D | 3 | (5) | South America |
| E | 5 | (4) | Asia (without China) |
| F | 1 | (1) | Others |

**Manufacturing capacity by region
as of December 31, 2017 in %**

(December 31, 2016)



| | | | |
|---|-----------|------|----------------------|
| A | 53 | (56) | Europe |
| B | 20 | (18) | China |
| C | 11 | (11) | North America |
| D | 10 | (8) | Asia (without China) |
| E | 6 | (7) | South America |

Material consumption

Project materials and services account for the largest share of materials required (70%) – measured on the basis of cost. This includes mechanical parts, electrical components, structural steel and conveying technology, mechanical constructions, installation work, and start-up/commissioning. Overheads covering material, services and investments account for 20% and manufacturing materials such as sheet metal, screens, bars, profiles, or cast and forged parts account for 10%.

Logistics

The Logistics department – as a part of Global Procurement – assists the business areas with the logistical implementation of customer projects. Other important tasks in the logistics department are definition of transport standards and guidelines, calling for tenders, negotiating framework agreements with logistics service providers, and conducting internal training courses. Almost all services are outsourced as the company does not have its own vehicle fleet. As a result, CO₂ emissions are generated externally so these figures cannot be reported in any detail.

Compliance and sustainability in the supply chain

Compliance with sustainability criteria in the supply chain plays a decisive roll in the ANDRITZ GROUP's sustainability management. As a result, a specific policy was developed for suppliers on the basis of the general Code of Business Conduct and defines the minimum requirements for collaboration with ANDRITZ. Implementation of this policy and checking supplier's compliance and sustainability measures are handled by a department specially created for this task within the global Purchasing organization.

Suppliers must confirm in writing that they accept and comply with the Supplier Code of Conduct right away during the selection process. In addition, suppliers are required to document their activities in the compliance and sustainability sectors by means of a questionnaire so that corrective action can be initiated on the part of the ANDRITZ Purchasing organization if needed.

In order to verify that the high standards relating to human rights and fair working conditions, the environment, business integrity, export controls, and the right to intellectual property are observed in the emerging economies, ANDRITZ has deployed two auditors in China and India. In India, 33 suppliers have already been audited. All

deviations observed are documented in reports and sent to the suppliers, who must give notification of improvement measures within a certain period. Implementation of these measures is also verified and assessed.

Ideally, the suppliers' understanding of sustainability principles should become a voluntary commitment out of conviction. That is why the requirements of business partners and the content of the Supplier Code of Conduct have been illustrated in online training courses since October 2016 so that competencies are improved within the ANDRITZ Purchasing organization and the supply chain. This training is available in six languages and was completed in 2017 by 85% of the employees dealing with purchasing in their everyday tasks. Almost 500 supplier employees have also completed this training successfully.

Supplier audits are to be further extended and standardized in the coming year in order to establish compliance on a sustainable basis in supplier companies. In addition, further internal and external training is planned. Risk management along the supply chain is also to be optimized in 2018.

Quality management

Quality management in the ANDRITZ GROUP covers products and applications, business processes as well as safety and environmental topics and is viewed holistically. Global requirements and standards improve the general understanding of processes and functions as well as enhancing collaboration and clear areas of responsibility. These measures should increase transparency, minimize risks, and support employees in their day-to-day work.

In everyday work, the quality requirements are structured along the business areas and at local level and can be accessed easily by employees in the company's intranet. Quality management accompanies an order from its award up to completion. There are also guidelines applying to support activities such as IT or communications.

External verifications confirm consistent and effective implementation of the standards. Meanwhile, 33 locations have been certified according to OHSAS 18001 (work safety) and 25 according to ISO 14001, and more are to follow. Furthermore, all products are certified internally and externally (Machinery Directive, ASME, NR 12, GB 150, ISO, ANSI, EN, and DIN). Thus, they meet the highest standards and are checked continuously for potential health and safety impacts.

Occupational safety at ANDRITZ

Occupational safety has highest priority at ANDRITZ. That is why high standards are applied both in the company's own manufacturing facilities and on job sites.

The content of health and safety management is oriented very closely towards the basic rules of OHSAS 18001 certification and is a part of the integrated management system. At Group level, the Safety and Environmental Officer reports to the Head of Group Quality and Safety Management. Ultimate responsibility for occupational safety lies with the Executive Board.

The "Safety first" initiative launched in the spring of 2016 is intended to embed an awareness for safety at work firmly in the minds of the employees and integrate this awareness into the working routine. Initial success was demonstrated in the reduced accident rate by one percent (2017: 6.1%, 2016: 7.1%). The aim is to reduce accident frequency by 30% every year in order to achieve zero accidents.

Accidents at work

| | 2017 | 2016 |
|---|------|------|
| Accidents at work (with more than three days of absence) | 304 | 362 |
| Accident frequency (accidents with more than three days of absence per 1 million working hours) | 6.1 | 7.1 |
| Fatal accidents at work | 1 | 1 |
| Severity of accidents (absence periods in hours per accident) | 144 | 132 |

The Group-wide safety policy specifies minimum standards for occupational safety. Its implementation and application is binding on all locations and job sites. At local level, the heads of location must set up and chair an occupational safety committee and also compile, implement, and maintain an annual health and safety program. The committee must not only comply with all regulations, but also conduct and document risk assessments. In addition, the locations must put together and implement a competence matrix and an annual schedule for safety training.

The safety specialists at all locations must document all accidents in full detail so that lessons can be learned from past accidents and appropriate measures taken to prevent others in the future. As a result, experts from the company concerned should be trained and also receive more vocational training on this topic in the next few years.

Safety audits were conducted at locations where there have been many accidents in order to form a detailed picture on the spot. The first improvement measures have already been implemented on the basis of these audits. Internal rankings should also motivate the individual locations to pay more attention to safe processes in everyday work and to make improvements if necessary.

Training on awareness raising

Basic training on occupational safety is provided regularly throughout the Group for new employees; workplace-related training must be organized by the locations themselves.

A two-day training course was also conducted at Group level with project managers, commission agents, and supervisors in order to illustrate how to carry out safety planning and implementation on sites and in project execution. In addition, five training courses were provided in 2017 in the regions relevant to ANDRITZ's business activities.

Manufacturing

Around 130 manufacturing locations worldwide produce tailor-made key components as well as spare and wear parts for ANDRITZ plants and machinery. Around two thirds of these locations are in Europe and North America and one third in the emerging markets of Asia, South America, and Eastern Europe. Each location produces project- and order-related items for different business areas in the Group, and sometimes for several business areas.

ANDRITZ's manufacturing strategy focuses on the production of technology- and quality-critical core components, while everything else is largely outsourced to qualified suppliers. As a result, it is easier to deal with fluctuations in capacity utilization and ensure optimum use of own manufacturing capacities. Precise planning, high commitment, and flexible employees are essential factors to ensure short lead times and on-time production.

Investments are concentrated on the one hand on building up and expanding manufacturing capacities in the emerging markets of Asia and South America as well as in Central and Eastern Europe, and on modernizing existing locations in Central Europe and North America on the other hand.

In order to plan manufacturing processes in exact detail, but also deal carefully and efficiently with the available resources, the Group Manufacturing function initiates and implements optimization and improvement projects on a continuous basis.

One of these projects is the “Manufacturing Execution System” (MES), which steers, controls, and monitors manufacturing in real time. The goal is to collect all data centrally on planning, lead time, and costs, right up to machinery and operating data, using an IT solution that can be adapted to local requirements if necessary. The advantage is that all the important information can be linked on a single platform. Considerable advantages are expected, especially if planning has to be revised or there are some planning deviations due to re-working, changes to delivery dates, materials missing, and so on. MES is also a component for further developments in the digitalization sector.

A second system for continuous improvement of the manufacturing processes is the ANDRITZ Production System (APS). APS is to improve the success indicators and performance at the locations. In the past two years, the core elements were set up and developed, and the system was rolled out at all locations. The focus is on three different levels.

The first stage comprises the assessment of and search for improvement potentials at the individual production locations and has been executed at virtually all locations.

The second stage, the so-called “shop floor management”, is intended to help improve communication at and between locations, create greater transparency, solve problems quickly, and increase efficiency in the long term. In the meantime, two-thirds of productive manufacturing hours are covered with shop floor management.

The third stage focuses on optimization of work processes that can only be achieved by providing training on the appropriate specialist skills. The “Lean Training Program” helps the manufacturing staff achieve the defined goals with targeted training.

Key energy figures

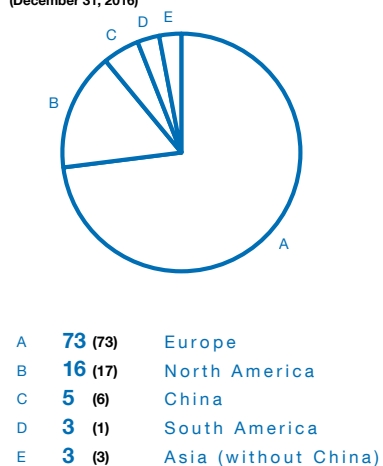
The environmental data for the largest ANDRITZ production locations (91% of the overall annual manufacturing capacity) are surveyed and checked on a regular basis and then used to derive possible improvement measures.

61% of all the manufacturing facilities surveyed are in Europe, 16% in North America, 10% in South America, 8% in China, and 4% in India.

These figures correlate with the electricity consumption: The most electricity is consumed in Europe, followed by North America, China, South America, and India.

**Energy consumption by region
as of December 31, 2017 in %**

(December 31, 2016)



The Group's overall electricity consumption increased compared to the previous year and amounted to 197,305,539 kWh (2016: 180,532,508 kWh). The CO₂ emissions arising due to the electricity consumption, heating energy, and process heat (Scope 1; energy consumption in the company) amounted to 170,832 tons in 2017 (2016: 110,360 tons). The strong increase compared to the previous year results from an improved data collection in 2017, for the first time distinguishing between energy sources for district heating and electricity consumption.

Around 85% of the Group's electricity consumption is used directly in manufacturing operations, mostly for the production processes. The remaining electricity consumption is used for lighting, IT equipment, and for electric heating where needed.

All six main groups of manufacturing processes are used at all ANDRITZ locations worldwide: forming and casting mainly uses electrical equipment, particularly induction furnaces. The other processes, such as rolling, pressing, machining, welding, soldering and gluing are also performed with the aid of electrically powered machines. Only hardening and annealing processes use gas-powered machinery. As a general principle, the production processes in the ANDRITZ GROUP are less energy-intensive (except for one location in North America which has a foundry attached to it).

Energy consumption within the organization

| | Unit | 2017 | 2016 |
|--|------|-------------|-------------|
| Heating oil (for heating and production processes) | MJ | 102,205,463 | 92,232,031 |
| Natural gas (for heating and production processes) | MJ | 536,081,125 | 531,325,296 |
| District heating | kWh | 30,527,041* | 20,347,838 |
| Liquid (petrol) gas | MJ | 30,589,718 | 32,516,426 |
| Diesel | MJ | 23,062,247 | 22,203,884 |
| Gasoline | MJ | 6,362,964* | 3,957,017 |

* The increase results primarily from two large manufacturing locations in China and Germany being included in the data collection process for the first time.

The bulk of energy and fuel consumption (heating oil, natural gas, district heating) is used for heating the company premises. In addition, a few production processes require oil. At one location in Germany, for example, heavy oil is used to heat the presses, but this is to be changed over to gas in the coming year. At another location

in Germany, oil is needed for looms to make metal mesh. Natural gas is needed in production primarily to operate hardening and annealing furnaces. Gasoline and diesel fuel are needed for company vehicles, while liquefied gas is required to operate stacker trucks and, in some countries, also for vehicles.

ANDRITZ strives to reduce energy and fuel consumption in the production process. Annual fluctuations in consumption are largely due to the varying utilization according to the order situation and projects and make very detailed comparisons with previous years difficult.

Resources are valuable and not unlimited. That is why particular attention is paid to conservation and re-use of materials. The important factors are the efficient use of materials and keeping waste to a minimum on the one hand, and sparing energy consumption in material processing on the other hand. The largest share of waste comes from steel from the manufacturing process. Metal waste is separated into different types and then recycled. Other recyclable waste like plastic from packaging, waste from wooden crates and cardboard packaging, as well as waste paper are collected and recycled.

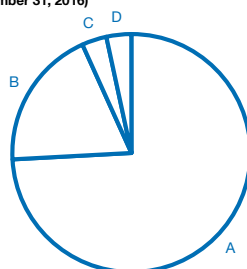
Non-hazardous residual waste and hazardous waste are collected according to the legal provisions and taken away by disposal companies. Special attention is paid in observing all official regulations and record-keeping obligations, particularly when disposing of hazardous substances.

Water consumption

Water consumption in the past year was 591,344 m³ (2016: 415,555 m³). The increase results primarily from two large manufacturing locations in China and Germany being included in the data collection process for the first time. The water supply comes primarily from the public water system, but a few locations also recycle service water or take water from their own wells. Water consumption consists of process water for production plants (including cooling water) as well as water for drinking and for hygiene purposes. A small amount is also needed for hydraulic test stands.

Water consumption in manufacturing as of December 31, 2017 in %

(December 31, 2016)



| | | | |
|---|-----------|------|---------------|
| A | 88 | (89) | Tap water |
| B | 6 | (3) | Ground water |
| C | 3 | (2) | Surface water |
| D | 3 | (3) | Rain water |

Respect of human rights in execution of projects

ANDRITZ is often exposed to criticism from NGOs in connection with supplies for individual large-scale projects. Before taking part in projects, ANDRITZ surveys and analyzes all the relevant facts. Among the aspects examined are whether all the approvals are available for the respective project and whether the local legal provisions are observed in full in each case.

ANDRITZ takes any concerns relating to individual projects very seriously. Safeguarding of human rights has particularly high priority. In addition, detailed investigations are conducted beforehand on occupational safety, health and safety of the population, land purchases and resettlement, protection of cultural heritage, as well as opportunities available to the people affected by the project to be consulted and raise any objections.

Of course, ANDRITZ obeys the legal provisions applying in each case as well as any project-related requirements. Furthermore, ANDRITZ is committed to enhanced work protection and strict compliance with human rights regulations as determined in various internal policies. Over and above, ANDRITZ supports its customers in creating the best possible conditions in which to reduce social and ecological impacts to a minimum.

Research & development

The ANDRITZ GROUP spent 95.3 MEUR (2016: 87.5 MEUR) on research and development activities during the reporting period. Research and development expenses, including order-related work, amounted to around 3% of sales.

The ANDRITZ GROUP currently holds approximately 6,100 patent rights. 75% of these patent rights are already granted, the remaining part is under examination. In addition, the Group owns around 2,200 trademarks.

Rising population figures, high rates of urbanization, and increasing energy demand will push conventional energy sources to their limits in the near future. Taking account of current consumption data and based on international studies, we expect that use of fossil fuels will no longer be possible or only possible to a limited extent in a few decades. Integrated solutions combining fossil and renewable energy sources are already in demand today and will have even greater priority in the future. In this context, ANDRITZ is focusing on further development of products that will slow down climate change. ANDRITZ already realizes just under 50% of its sales from “green” products that contribute towards sustainability and conserving resources.

Main R&D projects in the business areas:

Hydro

One important focus is digitalization of processes and the use of intelligent products in the operation and maintenance of hydro-electric power plants. The goal is to increase the efficiency and profitability of customers' plants.

The HIPASE automation platform for protection, excitation, and synchronization systems and turbine governors that was specially developed for use in hydropower plants and launched on the market successfully last year, covers various applications in a single hardware and software system. A standard engineering tool is also used here. HIPASE can provide significant reductions in the costs and design engineering effort required for configuration and installation of the automation system. Other advantages are easier operation and servicing of the system during power plant operations.

The business area offers an integrated system called DiOMera for monitoring the machinery and optimizing the maintenance intervals by means of Condition Based Maintenance (CBM) and Predictive Maintenance. This system focuses on optimizing output, reducing maintenance costs, and minimizing risks. Digitalization is also used in the development of new solutions for the internal processes. The new generator sizing tool GECCO, for example, was rolled out in 2017. This is a modern software solution to harmonize the sizing process in sales and project execution, and it enables integration of other extensively digitalized processes.

Pump storage is by far the most important energy storage technology worldwide for long-term storage and stabilizing the power grid, and there is a rising demand for this equipment. In intensive development work, both in the hydraulics lab and with complex computer simulations, the efficiency level and operating stability of the pump turbines offered by ANDRITZ were further increased, starting from a level that was already very high.

In the pumps segment, customized concrete spiral pumps were developed for water transport. The technology of multi stage pumps was extended systematically with regard to high-pressure applications and confirmed in a three-stage laboratory test. The new pump models with the ES05 brand were added to the standard pump portfolio. These single-stage centrifugal pumps feature very low energy consumption compared to others in this segment and are thus the ideal pump solution for water supplies and transport in various industries. The pumps have already been launched on the market successfully at the new location in India.

Pulp & Paper

In the pulp production sector, environmental compatibility, efficiency of energy and raw materials, 100% re-use of all by-products of pulp production, and operations without fossil fuels are the central topics of research and development work. Some innovative products have been developed in the past few years and already sold successfully on the market.

These include the HHQ chipper, which can produce wood chips from round timber with up to 30% less energy consumption and enables a higher yield and lower chemicals consumption during subsequent processing. The 360° storage and reclaiming technology – a chip storage system that helps reduce the moisture content in the wood – can also provide its first references in cold climatic zones as well. The HHQ bark presses already in operation at customers' facilities increase dry content in the bark by 5%. This can increase the energy yield by up to 15%.

Further development of the D-Screen used in recycled fiber lines should further improve operating reliability. The new design offers enhanced machine accessibility and enables shorter downtimes and easier maintenance.

ANDRITZ is the leading supplier of pulper drums (Fibre Flow Drums FFD) for production of pulp from recovered paper. In 2017, a small pulper drum was developed that can be used primarily in tissue production plants with a capacity of less than 200 tons per day.

After two years of development, the first ANDRITZ Vertical Screw Thickener (VST) was installed successfully in a semi-chemical pulp mill in Thailand. Start-up took only one day, and the design parameters were achieved after only three days in operation. The VST dewateres 240 tons of unbleached, semi-mechanical pulp per day from a consistency of 6% to 30% and significantly improves the washing performance of the fiber production line.

In the Automation sector, the focus of research and development work lies on remote online customer support, digital image processing, and various sensor projects, such as wear sensors for rotation bars in the refiner, vibration measurement to protect refiner plates, or sensors for measuring the plate gap during rotation.

In addition, a technology was developed to operate the IDEAS simulation software in real time and is linked directly to the control center of a plant in operation. In this way, measurements can be taken without any historical data being available, which is a huge advantage compared to mere data analysis.

ANDRITZ built the world's most modern R&D center for tissue in Graz, Austria. The *PrimeLineTIAC* – Tissue Innovation and Application Center – allows all stakeholders in the tissue industry to conduct production tests and research under industrial conditions. It comprises a complete tissue production line that features eight configurations in one machine, including steel Yankee, TAD drums, and a modern stock preparation line.

Metals

The stricter regulations for CO₂ emissions in many countries are currently determining the further development of lightweight materials for car body parts. The Metals business area is responding to this development by adapting or developing new production plants and machines.

ANDRITZ is constantly designing new solutions for the required annealing cycle in the strip processing furnace and rolling the new high-strength steel grades in cold rolling mills for the production of high-strength steel.

Laser-welded blanks optimize a car's weight and crash behavior. ANDRITZ has developed high-efficiency laser welding machines for this purpose, many of which are already operating successfully. Another important development in weight optimization of the body shell is the use of press-hardened steel. As a result, less material is needed at higher strength, which saves on weight with higher crash performance. The use of press-hardened steel for blanks requires an additional new technology to remove the surface coating (ablation) from the press-hardened steel before laser welding. This ablation technology is available from ANDRITZ both as inline version, i.e. integrated into the laser welding machine, and offline as a separate ablation plant. Another measure in series production of lightweight cars is the use of aluminum instead of steel. ANDRITZ has developed and implemented a patented technology – a process for regulating the coiling temperature of a metal strip – for aluminum manufacturers' processing lines in Europe and North America.

In the Industry 4.0 sector, the Metris OPP application already widely used in the pulp and paper industry is being adapted to the needs of the metal industry. The focus lies on reducing the consumption of energy and raw materials as well as the waste water volumes produced at customers' plants. In addition, work is proceeding on physical models and simulations in order to simulate operator training and control of process lines and rolling mills by means of so-called digital twins (3D simulation). This leads to faster start-up and a steep run-up curve for the plant.

In the past year, Schuler developed the new servo-forging press MSE 2000. This unit can produce significantly more parts than conventional equipment within the same time period. At the same time, the service life of the die is extended significantly, while energy consumption by the entire machine is reduced.

With the newly developed servopress, Schuler is continuing its MSP series: Following the 100- and 200-ton punching machines, the market and technology leader in metal forming technology is now offering a machine with a pressing force of 400 tons and an innovative drive concept. The MSP 400 press will be delivered to a customer in the automotive supply industry. The new generation of presses is aimed at customers who value a balanced cost-benefit ratio, but without having to do without the flexible ServoDirect technology and easy operation.

Separation

The business area's research and development work above all addresses the task of reducing production costs while increasing efficiency and productivity at the same time. In the service sector, the main goal is to meet customers' demands to extend the life cycle of the machines.

The C-press is the latest development by Separation and is based on over 20 years of experience in the construction and manufacture of screw presses. By combining the various dewatering technologies and the features specially developed for easy operation, sludge dewatering operations are possible on the C-press without any operating personnel and with very low energy and maintenance costs.

The latest development in the drum drying sector enables very fast knife changing. Disposable knives that can be changed within one or two minutes reduce loss of production to a minimum. No knife adjustment is required because the thin blade aligns itself automatically to the surface of the main drum. Stress in the knife material is prevented because the knife is not clamped in place and can expand as a result of heating up during operation. This in turn offers the best doctor properties for drum drying.

The side bar filter press SP is the first ANDRITZ filter press with air-over-oil technology. Thanks to the pneumatic drive, neither electricity nor electrical components are required. This low-cost technology offers easy handling and is suitable for simple plug & play installation.

With the PUREVO, ANDRITZ is offering a centrifuge for the pharmaceutical industry with special focus on clean and hygienic operation combined with easier maintenance.

Metris addIQ is the platform-independent control system for machinery and plants in solid/liquid separation for new installations, modernization, and optimization by means of automation equipment. The product is unique because Metris addIQ solutions combine know-how with automation knowledge in intelligent control solutions. The key message is "Intelligent control systems for process and machines increase performance, productivity, and profit." By harmonizing both hardware and software, cost savings can be achieved in the triple-digit range.

OUTLOOK

Economic experts expect the upswing in the world's main economic regions to continue in 2018. According to estimates by economists, the global economy should grow by 3.9% (2017: 3.7%). Strong economic growth is expected in both the USA and Europe, as well as in the emerging markets of Asia and South America.

The prospects for the ANDRITZ business areas are largely unchanged compared to the preceding year. In the Hydro business area, the overall moderate market development for electromechanical equipment for hydropower plants is expected to continue. Many modernization projects are still postponed or temporarily stopped, particularly in Europe, due to the continuing low electricity wholesale prices. Some larger, new hydropower projects are currently in the planning, especially in Southeast Asia and Africa; selective award of individual large-scale projects is likely. Project and investment activity in the Pulp & Paper business area should also continue at a high level in 2018, both for modernization of existing plants and construction of new pulp mills. Market experts expect support for the international pulp market to continue due to the sustained high demand for tissue and cardboard boxes/packaging, especially from the emerging economies. At the same time, there will be only a few new pulp production capacities in the market over the next two years. In the Metal Forming sector (Schuler), project activity is expected to remain at the same level as in 2017. In the Metals processing sector (production and finishing lines for steel strip), the solid investment activity is expected to remain unchanged. A continuation of the positive market development is also expected in the Separation business area.

ANDRITZ will also focus on creating internal growth in 2018 by launching new products. Particularly in the digitalization sector, the emphasis lies on building up and expanding the product and service portfolio for networking of machinery and plants. At the same time, further possible company acquisitions that complement the product portfolio in the four business areas will be evaluated. An additional focus lies on optimization of organizational and cost structures in order to ensure or increase the overall competitiveness of the Group, but also of individual business areas.

Based on the expectations mentioned above for development of the general economic environment and of project and investment activity in the business areas, the ANDRITZ GROUP expects to see satisfactory business development overall in the 2018 business year.

However, if – contrary to general expectations – the global economy suffers setbacks in 2018, this could have a negative impact on ANDRITZ's business development. This may lead to organizational and capacity adjustments and, as a result, to possible financial provisions that could have a negative effect on the ANDRITZ GROUP's earnings.

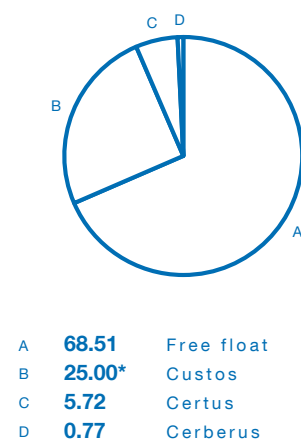
SHARES AND SHAREHOLDER STRUCTURE

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

The capital stock of ANDRITZ AG as of December 31, 2017 amounted to 104,000,000 EUR. The proportionate amount of the capital is 1.00 EUR per no-par value share. There are no limitations concerning the voting rights or the transfer of shares.

ANDRITZ has a stable and well-balanced shareholder structure. Custos Vermögensverwaltungs GmbH owns 25% plus one share, while Cerberus Vermögensverwaltung GmbH holds 0.77%. Some of the shares in these companies are held directly and some indirectly by Custos Privatstiftung and by Wolfgang Leitner, President and CEO of ANDRITZ AG, respectively. Certus Beteiligungs-GmbH, whose shares are owned indirectly by Manile Privatstiftung, holds 5.72%. With a free float of just under 70%, national and international institutional investors and private investors comprise the majority of shareholders. These include FMR LLC (Fidelity Management & Research, a Boston, Massachusetts-based investment company founded in 1946) holding 5.76%, BlackRock, Inc. (a United States investment firm founded in 1988 with headquarters in New York City, New York) holding 3.99%, and The Capital Group Companies, Inc. (an investment firm founded in 1931 with headquarters in Los Angeles, California) with 3.96%. The majority of institutional investors come from the UK, Austria, and Germany, while most private investors are from Austria and Germany.

Shareholder structure
as of December 31, 2017 in %



* 25.00% + 1 share

At present, there is no authorized capital. Based on authorizations of the Annual General Meeting and with approval from the Supervisory Board, the Executive Board adopted share buy-back and share resale programs for buying up to 10,400,000 no-par value shares between November 6, 2013, and March 31, 2016 as well as between April 14, 2016 and September 30, 2018. Furthermore, a share buy-back program which enables the acquisition of up to 2,000,000 no-par value shares between November 11, 2016 and September 30, 2018 was decided in the 2016 business year. There is no authorization of the members of the Executive Board – especially regarding the possibility to issue or buy back shares – that does 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, nor regarding 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 2012-2019 issued in July 2012, all holders of a bond are 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 in the event of a change of control by a large new shareholder and of this change of control leading to a substantial impairment of the issuer's ability to fulfill its obligations from the bond.

According to the terms of the "Schuldscheindarlehen" issued in June 2017, each lender is entitled to accelerate maturity of the amount corresponding to his contribution to the "Schuldscheindarlehen" and to require immediate repayment of this principal amount plus the interest accumulating up to the day of repayment in the event of a change of control. Acceleration of maturity shall only apply if the corresponding notice of termination is made within 30 days after the change of control is announced.

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 23, 2018

The Executive Board of ANDRITZ AG



Wolfgang Leitner
President and CEO



Humbert Köfler
Pulp & Paper
(Service & Units),
Separation



Joachim Schönbeck
Pulp & Paper
(Capital Systems),
Metals



Wolfgang Semper
Hydro



Mark von Laer
Executive Board Member
and CFO

Disclaimer:

Certain statements contained in the annual financial report 2017 and in the annual report 2017 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 2017 and the annual report 2017 contain assumptions and forecasts which were based on the information available up to the copy deadline on February 23, 2018. If the premises for these assumptions and forecasts do not occur, or risks indicated in the chapter "corporate risks" and in the management report in the annual financial report 2017 do arise, actual results may vary from the forecasts made in the annual financial report 2017 and the annual report 2017. Although the greatest caution was exercised in preparing data, all information related to the future is provided without guarantee.

CONSOLIDATED CORPORATE GOVERNANCE REPORT

The present report explains the structures, processes, and rules implemented with respect to financial management and towards shareholders, and which ANDRITZ follows in the corporate governance sector. As a publicly listed company with headquarters in Austria, the formal framework for corporate governance is derived from Austrian law, the articles of association, and the rules of procedure for the company boards, as well as the Austrian Code of Corporate Governance. The present report also contains the consolidated Corporate Governance report.

Commitment to the Austrian Corporate Governance Code

ANDRITZ has adopted the rules of conduct laid down in the Austrian Code of Corporate Governance without restriction and regards the Code as an essential requirement for implementation of responsible company management, which is directed towards creating sustainable and long-term added value and a high degree of 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.

The Austrian Code of Corporate Governance applicable to the business year (January 2015 edition) is publicly accessible and available on the website of the ANDRITZ GROUP at andritz.com as well as on the website of the Austrian Working Group for Corporate Governance at corporate-governance.at.

The Austrian Code of Corporate Governance is based on a voluntary commitment and goes beyond the legal requirements for corporations. ANDRITZ obeys the rules of the Code almost entirely. In the interests of the basic principle of "Comply or Explain" in the code, ANDRITZ justifies its non-observance or non-compliant observance of those rules that go beyond the legal requirements (so-called C-rules) as follows (based on the Code applicable to 2017, January 2015 edition):

Rule 30 (Disclosure of the basic principles of the remuneration system for the Executive Board): The variable portion is based exclusively on the net income; there are no non-financial criteria that impact the extent of the variable remuneration. The ANDRITZ GROUP operates in business areas that show considerable differences in some respects, which is why it is only useful to a limited extent to define uniform non-financial criteria for the entire Group. This fulfills the requirements of the objectivity and clear traceability concepts. The sustainability aspect was taken into account in designing the share option program by including a three-year waiting period and by requiring an increase of profits of 10 and 15%, respectively, and share price increase of 10 and 15%, respectively (both targets – profit and share price increase – must be achieved in order to exercise the options).

Composition of the Executive Board

The Executive Board of ANDRITZ AG was composed of five members as of December 31, 2017.

| Name (date of birth) | Function | Date of first appointment to Executive Board | End of current mandate | Supervisory Board mandates in other companies in Austria and abroad |
|---|-------------------------------|--|------------------------|---|
| Wolfgang Leitner (March 27, 1953) | President & CEO | October 1, 1987 (CFO) June 29, 1994 (President & CEO) | June 28, 2018 | Schuler AG; ETI Elektroelement d.d. |
| Humbert Köfler (January 11, 1961) | Member of the Executive Board | April 1, 2007 | March 31, 2020 | None |
| Joachim Schönbeck (January 30, 1964) | Member of the Executive Board | October 1, 2014 | September 30, 2022 | Westag & Getalit AG |
| Wolfgang Semper (March 9, 1958) | Member of the Executive Board | April 1, 2011 | March 31, 2019 | None |
| Mark von Laer (January 9, 1969) | Chief Financial Officer (CFO) | March 1, 2017 | February 29, 2020 | None |

Wolfgang Leitner

Areas of responsibility

Central Group functions such as Human Resources Management, Corporate Communications, Investor Relations, Internal Auditing, Information Technology, and Manufacturing Management

Professional career

Member of the Managing Board of AGIV AG, founder and President of GENERICON Pharma GmbH, Management Consultant at McKinsey & Company, Research Chemist at Vianova/HOECHST

Humbert Köfler

Areas of responsibility

Pulp & Paper (Service & Units), Separation, and Group Procurement Management

Professional career

Head of the Paper Mill Services division at ANDRITZ AG, Head of the Mechanical Pulping Systems division at ANDRITZ AG, Regional Sales Manager at ANDRITZ Sprout-Bauer GmbH, Export Marketing Manager at Biochemie GmbH

Joachim Schönbeck

Areas of responsibility

Pulp & Paper (Capital systems), Metals, as well as Group-wide Quality and Safety Management

Professional career

Spokesman of SMS Holding GmbH and Chairman of the Management Board of SMS Meer GmbH, management positions at SMS Group, Siemens, and Mannesmann

Wolfgang Semper

Areas of responsibility

Hydro and Group-wide Automation

Professional career

President of ANDRITZ HYDRO GmbH and Head of the Large Hydro division of the HYDRO business area, management functions at VA TECH VOEST MCE and Voest-Alpine MCE, Technical Calculations Engineer at Voest-Alpine AG

Mark von Laer

Areas of responsibility

Central group functions such as Controlling and Accounting, Treasury, Order and Project Financing, Legal, and Compliance

Professional career

Chief Financial Officer at Lürssen Werft GmbH & Co KG, Germany, management positions with financial responsibility at Kraftanlagen Gruppe in Munich and at Lurgi Group

Composition of the Supervisory Board

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

| Name (date of birth) | Function | Date of first appointment to Executive Board | End of current mandate | Supervisory Board mandates in other (stock-exchange listed) companies in Austria and abroad |
|---|--|--|--|---|
| APPOINTED MEMBERS | | | | |
| Christian Nowotny (July 23, 1950) | Chairman of the Supervisory Board | December 29, 1999 | Until the Annual General Meeting in 2022 | Schuler AG |
| Fritz Oberlerchner (June 16, 1948) | Deputy-Chairman of the Supervisory Board | March 29, 2006 | Until the Annual General Meeting in 2020 | STRABAG AG, Cologne |
| Jürgen Hermann Fechter (November 30, 1962) | Member of the Supervisory Board | March 30, 2016 | Until the Annual General Meeting in 2021 | None |
| Alexander Isola (July 24, 1957) | Member of the Supervisory Board | March 30, 2016 | Until the Annual General Meeting in 2021 | None |
| Monika Kircher (July 8, 1957) | Member of the Supervisory Board | March 21, 2014 | Until the Annual General Meeting in 2019 | RWE AG |
| Kurt Stiassny (October 6, 1950) | Member of the Supervisory Board | December 29, 1999 | Until the Annual General Meeting in 2020 | None |
| DELEGATED MEMBERS | | | | |
| Georg Auer (October 12, 1974) | Member of the Supervisory Board | July 1, 2011 | | None |
| Isolde Findenig (April 1, 1956) | Member of the Supervisory Board | January 1, 2012 | | None |
| Andreas Martiner (November 11, 1964) | Member of the Supervisory Board | February 14, 2001 | | None |

Isolde Findenig stepped down from the Supervisory Board as of December 31, 2017. She is succeeded by Monika Suppan, who was delegated to the Supervisory Board by the Works Council as of January 1, 2018.

Diversity

The main criteria in selecting the members of the Supervisory Board are professional qualifications and personal skills, as well as long-term experience in leading positions. However, various diversity aspects, such as the internationality of the members, representation of both men and women, and the age structure, are also taken into account. The Supervisory Board has two female members, thus the proportion of women is approximately 22%. The members of the Supervisory Board are aged between 43 and 69 on the reporting date. One member is not an Austrian citizen, and has knowledge and experience gained as a former Executive Board member of a large German corporation operating globally.

Information relating to the independence of the Supervisory Board members

Regarding the independence criteria, the Supervisory Board of ANDRITZ AG follows the guidelines laid down in the Corporate Governance Code. According to these guidelines, it is assumed that members are not independent if they belong to the Supervisory Board for more than 15 years. This applies to Christian Nowotny and Kurt Stiassny. Nevertheless, both have confirmed that they perform their duties entirely independently and do not have any legal or economic relationship with the company or its executive bodies that could compromise their independence. The Supervisory Board is independent of the company and its executive bodies. No member of the Supervisory Board of ANDRITZ AG holds more than 10% of the total shares. The requirements of C-rules 53 and 54 of the Austrian Corporate Governance Code are thus met.

Disclosure of information on the remunerations of the Executive Board and Supervisory Board

The remuneration report explains the amount and the structure of the remunerations paid to members of the Executive Board and of the Supervisory Board of ANDRITZ AG.

Executive Board remunerations

The Executive Board remunerations in the 2017 business year amounted to 10,018,340 EUR (2016: 8,823,096 EUR) and are divided as follows:

| (in EUR) | Fixed | Variable | Other remunerations | Total |
|--------------------------------------|------------------|------------------|---------------------|-------------------|
| Wolfgang Leitner (President and CEO) | 838,000 | 2,648,160 | 13,379 | 3,499,539 |
| Humbert Köfler | 394,286 | 1,324,080 | 11,921 | 1,730,287 |
| Joachim Schönbeck | 425,000 | 1,324,080 | 13,301 | 1,762,381 |
| Wolfgang Semper | 390,000 | 1,324,080 | 70,570 | 1,784,650 |
| Mark von Laer | 291,667 | 939,583 | 10,233 | 1,241,483 |
| | 2,338,953 | 7,559,983 | 119,404 | 10,018,340 |

The chairman of the Executive Board Wolfgang Leitner waived his remuneration as chairman of the Schuler AG Supervisory Board.

The principles applied in establishing the remunerations of the Executive Board and of senior managers comply almost entirely with the Austrian Code of Corporate Governance.

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 profit. The maximum value for the variable annual remuneration was determined at three times the fixed annual remuneration. Any amounts in excess of this sum will be credited as a variable remuneration for the following years. If the net income of the Group falls short of a defined minimum amount, this results in a “malus” that is also carried forward to the following years and in a

reduction in future variable salary components. The other remunerations relate primarily to taxable benefits in kind for company cars.

In all share option programs for managerial staff and the Executive Board since the Initial Public Offering (IPO), participation 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 no 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 if the contract of employment is still in force (exception: end of employment contract as scheduled according to contract provisions).

No options were exercised by Executive Board Members in the 2017 business year.

No advances or loans were granted to members of the ANDRITZ AG Executive Board.

The Austrian Financial Market Authority fma.gv.at stopped publishing notifications of directors' dealings by the Executive Board and Supervisory Board members or their related parties on July 3, 2016. This information must now be published by the issuers.

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 pension funds. Pension arrangements are either defined-contribution or defined-benefit plans. 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; after this, annual adjustments can be made to take account of the development in wages and salaries and of ANDRITZ's economic status.

Most of the Executive Board members shall, upon termination of their 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. Severance payments in the event of premature termination of activities as member of the Executive Board without good cause are provided for in the Executive Board contracts according to Article 27 of the Austrian Salaried Employees Act.

ANDRITZ AG took out Directors' and Officers' liability insurance (D&O insurance) for 2017. The costs are covered 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.

In connection with the execution of a project in Austria, two administrative criminal proceedings for alleged violations in temporary hiring and employment of foreign nationals were opened against members of the ANDRITZ AG Executive Board. In the opinion of the company and of the defendants, these accusations are entirely unfounded. The Supervisory Board has dealt with the accusations in detail and on the basis of the current state of knowledge considers that the costs of defense should be borne by the company. These costs amounted to approximately 280,000 EUR by the end of the year.

Supervisory Board remunerations

Subject to approval by the Annual General Meeting, the Supervisory Board remunerations (including attendance fees) for the 2017 business year amount to a total of 300,000 EUR (2016: 292,500 EUR) and are divided between the individual Supervisory Board members as follows:

| (in EUR) | Remuneration (including attendance fees) |
|---|--|
| Christian Nowotny (Chairman of the Supervisory Board) | 72,500 |
| Fritz Oberlerchner (Deputy Chairman of the Supervisory Board) | 57,500 |
| Jürgen Hermann Fechter | 42,500 |
| Alexander Isola | 42,500 |
| Monika Kircher | 42,500 |
| Kurt Stiassny | 42,500 |
| | 300,000 |

No Supervisory Board remuneration was paid to the Supervisory Board members delegated by the employee representative organizations.

The chairman of the Supervisory Board, Christian Nowotny, is also a member of the Schuler AG Supervisory Board and received a remuneration amounting to 25,000 EUR (excluding attendance fees) for the 2017 business year.

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.

No advances or loans were granted to members of the ANDRITZ AG Supervisory Board. There were no agreements subject to approval between ANDRITZ AG and individual members of the Supervisory Board or companies closely associated with Supervisory Board members.

The remuneration report for the Executive Board and the Supervisory Board of ANDRITZ AG is available in the notes to the consolidated financial statements in the 2017 Annual Financial Report.

Working procedures for the Executive Board and the Supervisory Board

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 individual business areas. The competencies and responsibilities of the individual Executive Board members are listed in the notes on the Executive Board members in this Corporate Governance report. The rules of procedure for the Executive Board 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.

The Executive Board and Supervisory Board, particularly their chairmen, maintain ongoing contact to discuss the company's development and strategy beyond the scope of the discussions at the Supervisory Board meetings.

Supervisory Board committees

The Supervisory Board of ANDRITZ AG established an audit committee that held two meetings to deal with the annual and consolidated financial statements for 2017, prepare the review of the annual and consolidated financial statements for 2017 and of the proposal for distribution of profits, additionally to deal with issues concerning the auditor, and implementation of the internal control and risk management systems in the ANDRITZ GROUP. Christian Nowotny - as financial expert - is chairman of the audit committee.

The Supervisory Board has also established a nomination and remuneration committee that held two meetings in 2017 and whose scope of activities includes the remuneration paid to the Executive Board members and the content of their employment contracts, the extension of an executive board member's mandate, as well as appointments to Executive and Supervisory Board positions that become vacant, and succession planning matters.

The ANDRITZ AG Supervisory Board held five regular meetings in the 2017 business year (four regular meetings, one constituent meeting). All members participated in more than half of the meetings. The focus 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 company acquisitions, granting of joint procurations, and other business subject to approval. The chairman and deputy-chairman receive a monthly report on the main developments. One business area is presented at each of the regular Supervisory Board meetings and this business area's strategy is discussed. A comprehensive report on Group-wide compliance is provided at one of the Supervisory Board meetings; this meeting also deals with the results of internal audits, and any measures resulting from these audits are presented and discussed.

Pursuant to the requirement of the Austrian Code of Corporate Governance (C-rule 36), the Supervisory Board conducted a self-evaluation in the past business year and discussed the efficiency of its activities, especially its organizational structure and working methods.

| Committee | Members |
|---------------------------------------|--|
| Audit committee | <ul style="list-style-type: none">▪ Christian Nowotny (Chairman)▪ Fritz Oberlerchner (Deputy-Chairman)▪ Monika Kircher▪ Andreas Martinier |
| Nomination and remuneration committee | <ul style="list-style-type: none">▪ Christian Nowotny (Chairman)▪ Fritz Oberlerchner (Deputy-Chairman)▪ Monika Kircher |

Auditors

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, was selected by the 110th Annual General Meeting of ANDRITZ AG held on March 28, 2017 as independent auditor for the 2017 financial statements and the consolidated financial statements.

Diversity concept

One of the Supervisory Board's most important tasks is to prepare and ensure appointments to the Supervisory Board and Executive Board, as corporate bodies, that are appropriate to the company. The persons appointed to the Executive Board and Supervisory Board of ANDRITZ AG should have the necessary knowledge, abilities, and the personal competences and experience required to manage and supervise a globally operating company oriented towards the capital market and working in the mechanical and industrial plant engineering sector and also guarantee these capabilities. A diversity concept was prepared in 2017 for this purpose and will be submitted for resolution in 2018.

The Executive Board has no female members; there are two female members on the Supervisory Board. There are women in management functions at the first and second reporting levels in numerous sectors. The proportion of women in the total workforce Group-wide was 15.4% as of December 31, 2017 (2016: 15.1%).

The ANDRITZ GROUP supports and encourages the appointment of women, particularly in technical sectors. In many countries however, ANDRITZ is frequently confronted with the situation that there are still far fewer women than men in technical professions or graduating in technical subjects.

Thus, ANDRITZ supports various initiatives to encourage women to opt for a technical profession or take a degree in a technical subject. These initiatives include participating regularly in various events like recruiting and job orientation days for young women at universities. ANDRITZ also takes measures and makes investments to improve employees' work-life balance. The company-run kindergarten set up beside the headquarters of the ANDRITZ GROUP in Graz as well as the new kindergarten at the ANDRITZ location in Vienna and the flexible working hours available to employees with young children are examples of these measures. When creating office space as part of new building projects, establishing child care facilities for the children of employees is always considered as well. In addition, a strict equal opportunities policy is considered very important in the recruitment process. In its efforts to promote female employees, ANDRITZ will refrain from any measures that would discriminate against male employees.

Compliance at ANDRITZ

ANDRITZ has been committed to strict compliance for many years now. Compliance with the laws and international regulations applying in each case always has top priority and is monitored by a group-wide compliance committee. This commitment is expressed in a series of policies and guidelines applying throughout the group, and compliance with these policies and guidelines is strictly monitored.

Organization

"Awareness and Prevention", "Detection", and "Response" are the pillars of the Compliance Management System, which consists of two committees: a compliance committee with competence for the subject matter, and a panel of legal experts with competence for the various geographical regions. The Compliance Management System is based on the content of the Code of Business Conduct and Ethics published in 2010.

The Compliance Management System was certified according to ISO 19600 ("Compliance Management System") in December 2017. This international standard contains guidelines for the implementation of compliance management systems and is intended to help identify, understand, and respond correctly to the risks of conduct that is in breach of the regulations. In this way, the probability of such conduct should be kept to a minimum.

The compliance sector has been assigned to the newly appointed CFO since March 2017. The main focus of his work lies on updating the risk management system and integrating the compliance function more closely with internal auditing under standardized corporate governance principles.

At the "Austrian Compliance Awards", ANDRITZ received an award for the Global Sales Network in the "Compliance Process of the Year" category. The project convinced due to its full and mandatory implementation in the IT workflow and integration into the SAP system. As a result, all test stages are documented and only tested payments are approved.

Training

If compliance is to be established properly within the company and also lived by all employees, one of the most important basic requirements is that they understand the rules and regulations. For this reason, online

compliance training was introduced many years ago to convey the main content of the regulations and standards in a way that is easy to remember.

Each new employee must undergo basic training within the first few weeks after joining the company. This training is available online in nine languages. The training content is repeated regularly in refresher courses. In 2017, 15,563 employees took part in compliance training.

In addition, classroom training was conducted at three Chinese locations in the past year in order to communicate special compliance content to employees at management level as well as those working in sales and purchasing.

Additional training concerning corruption, anti-trust laws, insider trading, and handling of sensitive data is also provided regularly for the groups of employees exposed to these topics. Moreover, training on prevention of money laundering and on export controls is to be introduced in 2018 because these two topics have become much more important and relevant.

Whistleblowing system

The online whistleblowing system launched in the spring of 2016 enables employees and external business partners to report compliance-related incidents anonymously. These include insider trading, bribery and corruption, export controls, personnel-related topics, and so on.

In the meantime, the whistleblowing system is available in seven languages and can be accessed by anyone via the ANDRITZ web site as well as the intranet.

The system is operated in a high-security data center. The input and content of the data base are encrypted and can only be accessed by employees of the Group Compliance function. Furthermore, authorization to access the content can only be granted by Group Compliance.

Measures to prevent social engineering (data theft)

Due to the increasing number of incidents in the world of business, ANDRITZ is also looking closely at the possibility of attacks on information systems with the aim of manipulating the systems' users, with phishing mails for example, and thus gaining access to sensitive internal data and information or triggering unwarranted payments. ANDRITZ has tightened up the instructions and procedure for secure payment transactions. In addition, the employees are provided regularly and pro-actively with information on this topic, for example with more and more information in the intranet and in the employee magazine. E-mails from external sources are clearly marked as such.

Internal auditing

The Internal Auditing Group function conducts comprehensive audits on ANDRITZ subsidiaries and Group Functions, focusing on financial and operational topics. In suspicious cases, event-driven audits are also conducted without prior notice. The purpose of the audits is to ensure compliance with internal guidelines and the fundamental principles of profitability and to highlight potential areas for improvement in the operational workflows. Another task handled by this Group function is identification of risks and dealing with them in an appropriate way.

The department reports directly to the President and CEO, the audit schedule for the coming two years will be established by the Executive Board. The audit reports are also presented to the Executive Board and in summarized form to the members of the Supervisory Board. In the 2017 business year, 38 audits were conducted

(2016: 40 audits). The improvement measures proposed in these audits are aligned directly with the management of the company or Group Function under audit.

External evaluation of the corporate governance report

The Austrian Code of Corporate Governance requires regular external evaluation of the Code by the company. The last evaluation of this kind was conducted for the 2016 business year by BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. As a result of the evaluation, the auditors found that ANDRITZ AG had adhered to the C-rules of the Austrian Code of Corporate Governance. The next external evaluation is planned for the 2019 business year. The full report on external evaluation is available on the ANDRITZ web site, andritz.com.

Graz, February 2018

The Executive Board of ANDRITZ AG

Wolfgang Leitner m.p.
(President and CEO)

Humbert Köfler m.p.

Joachim Schönbeck m.p.

Wolfgang Semper m.p.

Mark von Laer m.p.
(CFO)

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board and the Executive Board held five meetings (four regular meetings, one constituent meeting) during the reporting period for in-depth discussions on the economic situation and strategic development of the company, as well as on major events, capital expenditures, and possible acquisitions. In the course of regular reporting and in all meetings, the Executive Board informed the Supervisory Board extensively in writing and verbally, by means of detailed reports, on the business and financial situation of the Group and its affiliates, as well as on topics regarding human resources, medium-term planning, capital expenditure, and acquisition projects. At one meeting, the Supervisory Board discussed safety at work and corresponding measures. At another meeting, compliance was one of the main points on the agenda. At individual meetings, medium-term planning by the individual business areas was discussed with the Executive Board. 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 and discuss the company's strategy and business development. The Supervisory Board conducted a self-evaluation of its activities and discussed the result at its meeting on December 6, 2017. An external audit on compliance with the "C Rules" of the Austrian Corporate Governance Code (ÖCGK) had already been commissioned in 2016. The report dated February 28, 2017 by BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft confirms that the company complies with the "C Rules" in this Code during the audit pursuant to Rule 62 of the ÖCGK. Mark von Laer took up the position of Chief Financial Officer on March 1, 2017. At its meeting on May 31, 2017, the Supervisory Board resolved to extend Joachim Schönbeck's appointment to the Executive Board for the period October 1, 2017 to September 30, 2022.

The Presidium of the Supervisory Board acted on behalf of the company in matters concerning the Executive Board. The nomination and remuneration committee dealt in two meetings with matters relating to the Executive Board.

All members of the Supervisory Board attended all of its meetings.

The audit committee dealt in two meetings in particular with the proposal for the appointment of the auditor of the financial statements and consolidated financial statements, the quality of the internal control system relating to presentation of financial statements, the risk management program, reporting by the Internal Auditing department, and the measures to safeguard the independence of the annual auditor when providing permitted non-audit services. In addition, individual topics such as risk analysis and IT security to prevent external attacks were discussed and reported to the Supervisory Board. All members of the audit committee attended the committee meetings at all times.

In dealing with the financial statements for 2016, the audit committee called in the annual auditor to attend its meeting on March 2, 2017 in order to review the financial statements, consolidated financial statements, the management report, and the Executive Board's proposal for distribution of profits. Furthermore, a proposal was made for the choice of auditor of the financial statements and consolidated financial statements for the 2017 business year. This auditor's relationship with the ANDRITZ GROUP and its executive bodies was examined, the fee for the annual audit was negotiated, and a suggestion was made to propose KPMG Austria GmbH to the Annual General Meeting for appointment as auditors of the 2017 financial statements and consolidated financial statements. Further items on the agenda were the auditor's report on the function of the risk management system in the company, a report on the Internal Auditing department, and the compliance report.

At the audit committee meeting on December 6, 2017, the committee members – with the auditor also present – discussed the organization, scheduling and auditing of the 2017 financial statements and consolidated financial statements as well as a report by the Executive Board on the form and modus operandi of the internal control system and internal auditing. The committee also decided to give limited permission to provide non-audit services up to completion of the audit for the 2017 financial year.

The mandate of Christian Nowotny expired at the end of the Annual General Meeting on March 28, 2017. The Annual General Meeting resolved to extend this mandate by five years until the Annual General Meeting in 2022. At the Supervisory Board meeting on March 28, 2017 after the Annual General Meeting and held on the same day, Christian Nowotny was elected Chairman of the Supervisory Board and Fritz Oberlerchner as Deputy-Chairman. Christian Nowotny (Chairman), Fritz Oberlerchner (Deputy-Chairman), and Monika Kircher were elected as members of the audit committee and Andreas Martiner was delegated to the committee by the employees' representatives. Christian Nowotny (Chairman), Fritz Oberlerchner (Deputy-Chairman), and Monika Kircher were elected as members of the nomination and remuneration committee.

The financial statements and management report of ANDRITZ AG and the consolidated financial statements for 2017 drawn up according to IFRS were audited (including the accounts) and certified by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, who had been appointed as auditors by the Annual General Meeting. The Supervisory Board examined the documents in accordance with Article 96 of the Corporation Act as well as the Management Report and approved the financial statements, which are hereby adopted in accordance with Article 96, para. 4, of the Corporation Act; the Supervisory Board also examined and approved the Executive Board's proposal for distribution of profits. The final results of the audits conducted did not give rise to any objections.

Graz, February 2018

Christian Nowotny m.p.
Chairman of the Supervisory Board

Consolidated financial statements 2017 of the ANDRITZ GROUP

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CONSOLIDATED INCOME STATEMENT

For the 2017 financial year

| (in TEUR) | Note | 2017 | 2016 |
|---|-----------|------------------|------------------|
| Sales | 1. | 5,889,047 | 6,038,974 |
| Changes in inventories of finished goods and work in progress | | 31,282 | 8,606 |
| Capitalized cost of self-constructed assets | | 7,296 | 5,142 |
| | | 5,927,625 | 6,052,722 |
| Other operating income | 2. | 188,394 | 77,521 |
| Cost of materials | 3. | -3,028,822 | -3,121,384 |
| Personnel expenses | 4. | -1,717,830 | -1,656,628 |
| Other operating expenses | 5. | -827,707 | -809,831 |
| Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) | | 541,660 | 542,400 |
| Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment | 6. | -135,970 | -142,227 |
| Impairment of goodwill | 11. | -6,428 | -14,379 |
| Earnings Before Interest and Taxes (EBIT) | | 399,262 | 385,794 |
| Result from associated companies | 13. | 16 | 20 |
| Interest income | | 33,521 | 42,486 |
| Interest expenses | | -44,047 | -37,651 |
| Other financial result | | 11,851 | 7,795 |
| Financial result | 7. | 1,341 | 12,650 |
| Earnings Before Taxes (EBT) | | 400,603 | 398,444 |
| Income taxes | 8. | -134,980 | -123,628 |
| NET INCOME | | 265,623 | 274,816 |
| Thereof attributable to: | | | |
| Shareholders of the parent | | 262,967 | 274,646 |
| Non-controlling interests | 23. | 2,656 | 170 |
| Weighted average number of no-par value shares | | 101,850,822 | 102,106,518 |
| Basic earnings per no-par value share (in EUR) | 9. | 2.58 | 2.69 |
| Effect of potential dilution of share options | | 0 | 9,460 |
| Weighted average number of no-par value shares and share options | | 101,850,822 | 102,115,978 |
| Diluted earnings per no-par value share (in EUR) | 9. | 2.58 | 2.69 |
| Proposed or paid dividend per no-par value share (in EUR) | 23. | 1.55 | 1.50 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 2017 financial year

| (in TEUR) | Note | 2017 | 2016 |
|--|------------|----------------|----------------|
| NET INCOME | | 265,623 | 274,816 |
| Items that may be reclassified to profit or loss: | | | |
| Currency translation adjustments of foreign operations | | -63,874 | 11,481 |
| Reclassification to profit or loss | | -816 | 0 |
| Currency translation adjustments of foreign operations | | -64,690 | 11,481 |
| Result from available-for-sale financial assets | | -17,712 | -4,439 |
| Reclassification to profit or loss | | -6,362 | 0 |
| Related income taxes | | 3,638 | 657 |
| Result from available-for-sale financial assets, net of tax | K) | -20,436 | -3,782 |
| Result from cash flow hedges | | 363 | 2,678 |
| Reclassification to profit or loss | | 726 | 1,198 |
| Related income taxes | | -60 | -1,253 |
| Result from cash flow hedges, net of tax | K) | 1,029 | 2,623 |
| Items that will not be reclassified to profit or loss: | | | |
| Actuarial gains/losses | | 7,774 | -15,160 |
| Related income taxes | | -1,310 | 4,761 |
| Actuarial gains/losses, net of tax | 25. | 6,464 | -10,399 |
| OTHER COMPREHENSIVE INCOME | | -77,633 | -77 |
| TOTAL COMPREHENSIVE INCOME | | 187,990 | 274,739 |
| Thereof attributable to: | | | |
| Shareholders of the parent | | 186,024 | 274,953 |
| Non-controlling interests | | 1,966 | -214 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2017

| (in TEUR) | Note | 2017 | 2016 |
|--|------------|------------------|------------------|
| ASSETS | | | |
| Intangible assets | 10. | 160,701 | 201,253 |
| Goodwill | 11. | 547,637 | 563,427 |
| Property, plant, and equipment | 12. | 762,267 | 786,688 |
| Shares in associated companies | 13. | 6,407 | 6,830 |
| Investments and other financial assets | 14. | 170,471 | 100,652 |
| Trade accounts receivable | 15. | 19,370 | 14,431 |
| Other receivables and assets | 16. | 41,344 | 52,922 |
| Deferred tax assets | 8. | 152,647 | 187,528 |
| Non-current assets | | 1,860,844 | 1,913,731 |
| Inventories | 17. | 761,013 | 736,889 |
| Advance payments made | 18. | 99,264 | 105,709 |
| Trade accounts receivable | 15. | 891,980 | 840,138 |
| Cost and earnings of projects under construction in excess of billings | 19. | 599,550 | 726,307 |
| Other receivables and assets | 16. | 341,183 | 404,402 |
| Receivables from current taxes | | 54,741 | 35,557 |
| Investments | 20. | 565,780 | 110,796 |
| Cash and cash equivalents | 21. | 1,071,478 | 1,296,336 |
| Assets held for sale | 22. | 19,515 | 28,723 |
| Current assets | | 4,404,504 | 4,284,857 |
| TOTAL ASSETS | | 6,265,348 | 6,198,588 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Share capital | | 104,000 | 104,000 |
| Capital reserves | | 36,476 | 36,476 |
| Retained earnings | | 1,160,334 | 1,187,027 |
| Equity attributable to shareholders of the parent | | 1,300,810 | 1,327,503 |
| Non-controlling interests | | 24,600 | 16,728 |
| Total shareholders' equity | 23. | 1,325,410 | 1,344,231 |
| Bonds | K) c)/26. | 349,759 | 359,325 |
| Bank loans and other financial liabilities | 26. | 424,851 | 118,433 |
| Obligations under finance leases | M) b)/26. | 17,196 | 18,880 |
| Provisions | 24./25. | 582,058 | 586,534 |
| Other liabilities | 27. | 103,941 | 118,595 |
| Deferred tax liabilities | 8. | 87,892 | 104,300 |
| Non-current liabilities | | 1,565,697 | 1,306,067 |
| Bank loans and other financial liabilities | 26. | 80,890 | 78,922 |
| Obligations under finance leases | M) b)/26. | 1,138 | 1,384 |
| Trade accounts payable | | 461,239 | 499,737 |
| Billings in excess of cost and earnings of projects under construction | 19. | 1,052,571 | 1,117,963 |
| Advance payments received | 28. | 277,219 | 256,690 |
| Provisions | 24. | 484,079 | 532,317 |
| Liabilities for current taxes | | 71,515 | 101,056 |
| Other liabilities | 27. | 942,979 | 958,072 |
| Liabilities relating to assets held for sale | 22. | 2,611 | 2,149 |
| Current liabilities | | 3,374,241 | 3,548,290 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 6,265,348 | 6,198,588 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 2017 financial year

| (in TEUR) | Note | 2017 | 2016 |
|---|------|-----------------|-----------------|
| Earnings Before Taxes (EBT) | | 400,603 | 398,444 |
| Interest result | 7. | 10,526 | -4,835 |
| Depreciation, impairment losses, and reversals of impairment losses of fixed and financial assets | | 142,398 | 156,606 |
| Result from associated companies | 7. | -16 | -20 |
| Changes in provisions | | -22,962 | -41,620 |
| Gains/losses from the disposal of fixed and financial assets | | -55,530 | -6,489 |
| Other non-cash income/expenses | | -24,354 | 5,822 |
| Gross cash flow | | 450,665 | 507,908 |
| Changes in inventories | | -40,868 | -8,733 |
| Changes in advance payments made | | 870 | 24,444 |
| Changes in receivables | | -121,375 | -68,004 |
| Changes in cost and earnings of projects under construction in excess of billings | | 96,062 | 10,481 |
| Changes in advance payments received | | 28,409 | -50,470 |
| Changes in liabilities | | 24,894 | -8,528 |
| Changes in billings in excess of cost and earnings of projects under construction | | -31,672 | 54,855 |
| Change in net working capital | | -43,680 | -45,955 |
| Interest received | | 33,840 | 41,903 |
| Interest paid | | -28,201 | -24,659 |
| Dividends received | | 3,573 | 2,576 |
| Income taxes paid | | -169,686 | -115,137 |
| CASH FLOW FROM OPERATING ACTIVITIES | | 246,511 | 366,636 |
| Payments received for asset disposals (including financial assets) | | 62,343 | 19,402 |
| Payments made for intangible assets and for property, plant, and equipment | | -115,453 | -122,086 |
| Payments made for non-current financial assets | | -118,887 | -34,800 |
| Net cash flow from company acquisitions | J) | -13,435 | -104,059 |
| Net cash flow from sale of subsidiaries | | 23,966 | 0 |
| Payments received for investments and other current financial assets | | 151,217 | 138,543 |
| Payments made for investments and other current financial assets | | -533,790 | -136,632 |
| CASH FLOW FROM INVESTING ACTIVITIES | | -544,039 | -239,632 |
| Payments received from issuance of Schuldscheindarlehen | | 400,033 | 0 |
| Payments received from other financial liabilities | | 46,332 | 75,626 |
| Payments made for other financial liabilities | | -103,603 | -40,774 |
| Dividends paid by ANDRITZ AG | 23. | -153,090 | -137,802 |
| Dividends paid to non-controlling interest holders | | -2,074 | -2,391 |
| Purchase of own corporate bonds | | -4,019 | -2,947 |
| Purchase of non-controlling interests and payments to former shareholders | | -817 | -2,380 |
| Purchase of treasury shares | 23. | -48,310 | -12,544 |
| CASH FLOW FROM FINANCING ACTIVITIES | | 134,452 | -123,212 |

ANDRITZ financial report 2017
Consolidated statement of cash flows

| (in TEUR) | Note | 2017 | 2016 |
|--|------|-----------------|--------------|
| CHANGES IN CASH AND CASH EQUIVALENTS | | -163,076 | 3,792 |
| Currency translation adjustments | | -52,618 | 36,635 |
| Changes in consolidation scope | | 1,082 | 998 |
| Reclassification as held for sale | | -10,246 | -835 |
| Cash and cash equivalents at the beginning of the period | 21. | 1,296,336 | 1,255,746 |
| Cash and cash equivalents at the end of the period | 21. | 1,071,478 | 1,296,336 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 2017 financial year

| (in TEUR) | Note | Attributable to shareholders of the parent | | | | | | | Non-controlling interests | Total shareholders' equity | |
|---|------|--|------------------|-------------------------|----------------|-------------------------|----------------------------------|-----------------|---------------------------|----------------------------|------------------|
| | | Share capital | Capital reserves | Other retained earnings | IAS 39 reserve | Actuarial gains/ losses | Currency translation adjustments | Treasury shares | | | Total |
| BALANCE AS OF JANUARY 1, 2016 | | 104,000 | 36,476 | 1,144,880 | 48,932 | -70,534 | 2,852 | -68,573 | 1,198,033 | 17,543 | 1,215,576 |
| Net income | | | | 274,646 | | | | | 274,646 | 170 | 274,816 |
| Other comprehensive income | | | | | -1,247 | -10,010 | 11,564 | | 307 | -384 | -77 |
| Total comprehensive income | | | | 274,646 | -1,247 | -10,010 | 11,564 | | 274,953 | -214 | 274,739 |
| Dividends | 23. | | | -137,802 | | | | | -137,802 | -601 | -138,403 |
| Changes in treasury shares | 23. | | | 164 | | | | -11,600 | -11,436 | | -11,436 |
| Changes concerning share option programs | 23. | | | 3,672 | | | | | 3,672 | | 3,672 |
| Changes in consolidation type | | | | 83 | | | | | 83 | | 83 |
| Other changes | | | | 1,589 | | -1,589 | | | | | |
| STATUS AS OF DECEMBER 31, 2016 | | 104,000 | 36,476 | 1,287,232 | 47,685 | -82,133 | 14,416 | -80,173 | 1,327,503 | 16,728 | 1,344,231 |
| BALANCE AS OF JANUARY 1, 2017 | | 104,000 | 36,476 | 1,287,232 | 47,685 | -82,133 | 14,416 | -80,173 | 1,327,503 | 16,728 | 1,344,231 |
| Net income | | | | 262,967 | | | | | 262,967 | 2,656 | 265,623 |
| Other comprehensive income | | | | | -19,433 | 6,153 | -63,663 | | -76,943 | -690 | -77,633 |
| Total comprehensive income | | | | 262,967 | -19,433 | 6,153 | -63,663 | | 186,024 | 1,966 | 187,990 |
| Dividends | 23. | | | -153,090 | | | | | -153,090 | -422 | -153,512 |
| Changes in treasury shares | 23. | | | 179 | | | | -47,111 | -46,932 | | -46,932 |
| Changes concerning share option programs | 23. | | | -4,390 | | | | | -4,390 | | -4,390 |
| Transactions with non-controlling interests | | | | -4,004 | | | -3,150 | | -7,154 | 6,335 | -819 |
| Changes in consolidation type | | | | -1,151 | | | | | -1,151 | -7 | -1,158 |
| STATUS AS OF DECEMBER 31, 2017 | | 104,000 | 36,476 | 1,387,743 | 28,252 | -75,980 | -52,397 | -127,284 | 1,300,810 | 24,600 | 1,325,410 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2017

A) GENERAL INFORMATION

ANDRITZ AG 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” or “ANDRITZ”) is a leading producer of high-technology industrial machinery and operates through four strategic business areas: Hydro, Pulp & Paper, Metals, and Separation. The registered office address of the Group’s headquarters is at Stattegger Strasse 18, 8045 Graz, Austria.

The consolidated financial statements are prepared under the responsibility of the Executive Board and are acknowledged by the Supervisory Board and the Annual General Meeting. On February 23, 2018, the Executive Board authorized the consolidated financial statements for the year ending on December 31, 2017.

Various amounts and percentages set out in these consolidated financial statements have been rounded. As a result, totals may differ from the amounts shown. If not stated otherwise, amounts are given in thousands of euros (TEUR).

B) ACCOUNTING PRINCIPLES

The financial statements were prepared in accordance with all International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and endorsed by the European Union, whose application is mandatory for 2017. All interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), which also have to be observed for 2017, were applied. The consolidated financial statements meet the requirements of section 245a UGB (Austrian Commercial Code) on exempting consolidated financial statements according to internationally accepted accounting standards.

a) Standards and interpretations that are applicable for the first time

In 2017, the following new, revised, and supplemented standards by the IASB as well as interpretations of the IFRIC are to be considered mandatory:

| Standard/Interpretation | Title | Effective for annual financial statements for periods beginning on or after | Endorsement by EU |
|-------------------------|--|---|-------------------|
| IAS 7 | Change: Disclosure initiative | January 1, 2017 | November 6, 2017 |
| IAS 12 | Change: Recognition of deferred tax assets for unrealized losses | January 1, 2017 | November 6, 2017 |
| IFRS 12 | Annual improvements of IFRS (cycle 2014-2016) | January 1, 2017 | February 7, 2018 |

The amendments to **IAS 12 Recognition of deferred tax assets for unrealized losses** clarify that devaluation of debt instruments (measured at fair value) to a lower fair value arising from the change in the market interest rate, result in deductible temporary differences. It is generally to be assessed for all deductible temporary differences together, if in the future sufficient taxable income can be achieved to be use and recognize, respectively. ANDRITZ applies this change as of January 1, 2017. ANDRITZ has sufficient taxable differences available to cover the resulting deductible temporary differences.

The **IAS 7 Disclosure initiative** requires additional disclosures that enable readers of financial statements to evaluate changes in financial liabilities. ANDRITZ fulfils this requirement by providing a reconciliation of opening and closing balances of the financial liabilities.

As part of the **Annual Improvements of IFRS (cycle 2014-2016)** ANDRITZ applies the clarifications by the IASB to IFRS 12 as of January 1, 2017.

b) Standards and interpretations, which have been published but are not yet applied

The International Accounting Standards Board (IASB) is working on numerous projects that will only have an effect on the financial years 2018 and onwards. ANDRITZ has not adopted the following accounting pronouncements that have been issued by the IASB, but are not yet effective:

| Standard/Interpretation | Title | Effective for annual financial statements for periods beginning on or after | Endorsement by EU |
|-------------------------|---|---|---------------------|
| IFRS 9 | Financial instruments | January 1, 2018 | November 22, 2016 |
| IFRS 15 | Revenue from contracts with customers | January 1, 2018 | September 22, 2016 |
| IFRS 15 | Clarification: Revenue from contracts with customers | January 1, 2018 | October 31, 2017 |
| IAS 40 | Change: Transfers of investment property | January 1, 2018 | planned for Q1 2018 |
| IFRS 1 and IAS 28 | Annual improvements of IFRS (cycle 2014-2016) | January 1, 2018 | February 7, 2018 |
| IFRS 2 | Change: Classification and measurement of share-based payment transactions | January 1, 2018 | planned for Q1 2018 |
| IFRS 4 | Change: Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts | January 1, 2018 | November 3, 2017 |
| IFRIC 22 | Foreign currency transactions and advance consideration | January 1, 2018 | planned for Q1 2018 |
| IFRS 16 | Leasing | January 1, 2019 | October 31, 2017 |
| IFRS 9 | Change: Prepayment feature with negative compensation | January 1, 2019 | planned for Q1 2018 |
| IAS 28 | Change: Long-term interests in associates and joint ventures | January 1, 2019 | planned 2018 |
| IAS 23, IFRS 3, IFRS 11 | Annual improvements of IFRS (cycle 2015-2017) | January 1, 2019 | planned 2018 |
| IAS 19 | Change: Plan Amendment, Curtailment or Settlement | January 1, 2019 | planned 2018 |
| IFRIC 23 | Uncertainty over income tax treatments | January 1, 2019 | planned Q3 2018 |
| IFRS 17 | Insurance contracts | January 1, 2021 | pending |
| IFRS 10 and IAS 28 | Change: Sale or contribution of assets between an investor and its associate or joint venture | date is still to be determined | pending |

IFRS 15 – Revenue from contracts with customers

IFRS 15 sets out a 5-step recognition model for revenue from contracts with customers. According to IFRS 15, revenue recognition must reflect the transfer of goods or services promised to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This standard will replace all the existing regulations on revenue recognition under IFRS. In a Group-wide implementation project, ANDRITZ has subjected the business models of all business areas to an analysis in respect of the new regulations. Compared to IAS 11 and IAS 18, ANDRITZ has made the following changes:

Fulfillment of the performance obligations

In accordance with IFRS 15, the revenue attributed to the performance obligations identified is only recognized when the customer has gained control of the underlying product or service. When concluding a contract, it has to be determined according to IFRS 15 whether the income resulting from the contract has to be recognized at a point-in-time or over-time. In most cases, manufacturing contracts that were previously accounted for using the percentage-of-completion method also meet the conditions for the over-time revenue recognition in accordance with IFRS 15. The Group assumes that only a few construction contracts that were previously accounted for using the percentage-of-completion method in accordance with IAS 11, will change to the point-in-time revenue recognition method because the prerequisites for over-time revenue recognition in accordance with IFRS 15 are not met. Over-time revenue recognition in accordance with performance progress is made using input- or output-oriented methods. In individual cases, there will be a change in the method of measuring the performance progress as well as a change between over-time and point-in-time-related revenue recognition.

Contract costs

IFRS 15 stipulates the recognition of costs incurred by a company in connection with the initiation and fulfillment of contracts for the supply of goods and services to customers. In future, contract costs that can be directly attributed to the initiation of the contract (at ANDRITZ mainly sales commissions) must be capitalized in accordance with IFRS 15. These capitalized contract costs have to be written off analogously to the transfer of control of the goods and services to the customer. This change will result in a delay in revenue recognition as of January 1, 2018 as well as a capitalization of contract costs of around 15 MEUR.

Determination of the transaction price

The basis of the new regulations for determining the transaction price is the consideration expected by the company. This should correspond to the amount to which the company is entitled under the existing contract. When determining the transaction price, fixed and variable components (especially penalties at ANDRITZ in individual cases) must be assessed and estimated in accordance with IFRS 15 at the time of conclusion of the contract. As a result, the over-time realization of revenue leads to a shift in the stage of completion and thus to a shift in revenue recognition. The impact on revenue recognition is expected to be of minor importance.

Key financing components

For certain transactions, the timing of the payment and the timing of the transfer of control over goods or services to the customer are not the same. This is the case, if the consideration is paid in advance or after the delivery of the goods or rendering of the service. In individual cases, consideration of significant financing components in the calculation of the transaction price will lead to the compounding or discounting of the consideration promised. The impact on financial position, financial performance, and cash flow of the Group is insignificant.

Notes

Due to IFRS 15 requirements, the disclosures in the notes will show a different and more extensive presentation in the financial statements compared to IAS 11. In future, qualitative and quantitative information will be provided in particular on contract assets and liabilities arising from customer contracts.

Transition

The Group did not apply IFRS 15 early in the consolidated financial statements as of December 31, 2017. ANDRITZ applies the cumulative method for the transition to IFRS 15. Accordingly, the cumulative effects in the amount of about 5 MEUR from first-time application at the time of initial application, on January 1, 2018, are recognized in equity. As the cumulative transition method was selected, the consolidated statement of financial position and the consolidated income statement for the 2017 financial year were not adjusted. In this period sales were recognized in accordance with IAS 11 and IAS 18, respectively.

IFRS 9 – Financial Instruments

IFRS 9 sets out the requirements for the recognition and measurement of financial assets, financial liabilities and for some contracts for the purchase or sale of non-financial items. This standard supersedes IAS 39 (Financial Instruments: Recognition and Measurement). The Group did not apply IFRS 9 early in the consolidated financial statements as of December 31, 2017.

Classification – financial assets

IFRS 9 includes a new classification and measurement approach for financial assets that reflects the business model in which the assets are held as well as the characteristics of their cash flows. IFRS 9 contains three important classification categories for financial assets: measured at amortized cost, measured at fair value through profit or loss (FVTPL), and measured at fair value through other comprehensive income (FVOCI). The standard eliminates the existing categories of IAS 39: held-to-maturity, loans and receivables, and available-for-sale. According to IFRS 9, derivatives embedded in contracts for which the basis is a financial asset within the scope of the standard are never accounted for separately. Instead, the hybrid financial instrument is assessed as a whole in terms of measurement. ANDRITZ does not believe that the new classification requirements will have a material impact on the accounting of trade receivables, loans and financial assets held as financial assets or equity based on their fair value.

Impairment – financial assets and contractual assets

IFRS 9 replaces the incurred losses model of IAS 39 with a forward-looking model of "expected credit losses". This requires considerable judgment on the extent to which expected credit losses are affected by changes in economic factors. The respective estimation is determined on the basis of weighted probabilities.

The new impairment model applies to financial assets that are measured at amortized cost or at FVOCI - with the exception of investment securities held as financial assets – and to contractual assets.

In accordance with IFRS 9, valuation allowances are valued on one of the following bases:

- 12-month credit losses: These are expected credit losses due to possible defaults within 12 months after balance sheet date.
- Lifelong credit losses: These are expected credit losses due to all possible defaults during the expected lifetime of a financial instrument.

The measurement according to the concept of lifelong credit losses is applicable if the credit risk of a financial asset has increased significantly between initial recognition and the reporting date; otherwise, the valuation has to be applied according to the concept of 12-month credit losses. An entity may determine that the credit risk of a financial asset has not increased significantly if the asset has a low credit risk at the reporting date. However, the concept of lifelong credit losses must always be to trade receivables and contractual assets without a significant financing component; ANDRITZ has decided to apply this method to contractual assets with a significant financing component. ANDRITZ believes that asset impairment will change within the scope of the impairment model of IFRS 9 in the following way:

Trade accounts receivable, receivables from cost and earnings of projects under construction in excess of billings, and other receivables

Estimated expected credit losses were calculated on the basis of experience of actual defaults over the past five years. Credit risk within the Group was segmented using common default risk characteristics such as credit risk assessment. The experience of actual defaults had been adjusted using scaling factors to reflect the differences between the economic conditions at the time the historical data was collected, the current conditions and the Group's view of the economic conditions over the expected life time of the receivables. The scaling factor is

based on forecasts of gross domestic product (GDP) and unemployment rate as well as the industry outlook, and is around 2 percent. The application of the impairment requirements of IFRS 9 as of January 1, 2018, will increase the recognized impairment losses of ANDRITZ by about 10 MEUR compared to the impairments recognized under IAS 39. Thereof, more than half relates to trade receivables.

Cash and cash equivalents and investments

Cash and cash equivalents and time deposits included in "Investments" deposited at banks or financial institutions are rated as of December 31, 2017 at Aaa to B1 by the rating agency Moody's and at AA+ to BB+ by Standard & Poor's and Fitch. ANDRITZ monitors changes in default risk by observing external credit ratings published. The estimated allowances to cash and cash equivalents and time deposits included in "Investments" were calculated on the basis of expected losses within twelve months and reflect short maturities. ANDRITZ assumes that cash and cash equivalents as well as time deposits included under "Investments" have a low default risk based on the external ratings of banks and financial institutions. Parameters for financial loss ratios reflect an assumed recovery rate of 40 percent. The application of the impairment requirements of IFRS 9 as of January 1, 2018, results in an increase of recognized impairment losses of about 1 MEUR compared to the impairment losses recognized under IAS 39.

Classification – financial debts

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities. In accordance with IAS 39, however, all changes in the fair value of liabilities designated as being at fair value through profit and loss are recognized in profit and loss, whereas these changes in fair value under IFRS 9 are generally recognized as follows:

- The change in fair value attributable to changes in the credit risk of the liability is shown in other comprehensive income.
- The remaining change in fair value is presented in profit and loss.

The assessment showed no significant impact on the classification of financial liabilities as of January 1, 2018. ANDRITZ has not designated any financial liabilities as being at fair value through profit or loss and does not intend to do so at the present time.

Accounting of hedges

When applying IFRS 9 for the first time, ANDRITZ has the option of continuing to apply the accounting rules of IAS 39 for hedges instead of the requirements of IFRS 9. ANDRITZ has decided not to apply the new requirements of IFRS 9.

Transition

Changes in accounting policies resulting from the application of IFRS 9 are generally applied retrospectively. ANDRITZ will make use of the exception not to adjust comparative information for previous periods with respect to changes in classification and measurement (including impairment). Differences between the carrying amounts of the financial assets and financial liabilities due to the application of IFRS 9 are generally recognized in the revenue reserves as of January 1, 2018.

The following assessments should be made on the basis of the facts and circumstances existing at the time of initial application:

- Determination of the business model in which a financial asset is held.
- Determination and revocation of previous provisions relating to certain financial assets and financial liabilities that are valued at FVTPL.
- Determination of certain investment securities not held for trading as FVOCI.

IFRS 16 – Leases

The central idea of IFRS 16 is for all lessees to include all lease arrangements and the related contractual rights and obligations in the statement of financial position. The lessee recognizes a lease liability for the obligation to make leasing payments in the future for all lease arrangements. At the same time, the lessee capitalizes a right of use for the underlying asset value that is basically equal to the cash value of the future lease payments plus any costs that can be directly assigned. The lessee is thus no longer required to distinguish between finance and operating lease contracts, as required to date according to IAS 17. In contrast, the rules of the new standard for the lessor are similar to the regulations contained so far in IAS 17. ANDRITZ is currently assessing the impact on its consolidated financial statements that will result from applying IFRS 16. The actual impact of the application of IFRS 16 on the consolidated financial statements at the time of first-time application is determined by future economic conditions, such as the interest rate as of January 1, 2019, the composition of the leasing portfolio at that date, ANDRITZ's assessment of the exercise of extension options, and the extent to which derogations and exemptions are used.

So far, following effects have been identified:

- ANDRITZ will recognize new assets and liabilities for operating leases for land and buildings, vehicles and other tangible assets.
- It is currently expected that the new standard will increase the carrying amount of property, plant and equipment by around 250 MEUR.
- Liabilities will increase by a similar amount.
- Application of the new standard means that the nature of the expenses associated with these leases is now changing, as IFRS 16 recognizes the linear expenses for operating leases through the depreciation of a right-of-use assets and interest expenses for debts arising from the lease.
- No material effects on finance leases are expected.

Given the leases affected and the current interest rate environment, ANDRITZ currently does not expect any significant impact on its financial position, financial performance and cash flow. ANDRITZ will implement IFRS 16 as of January 1, 2019 and applies the cumulative method for the conversion. As a result of choosing the cumulative transition method, comparison results from 2018 will not be adjusted.

All other new or changed standards mentioned in the table are not expected to have any or any significant impact on the consolidated financial statements.

C) CONSOLIDATION SCOPE

The consolidated financial statements include ANDRITZ AG and those companies ANDRITZ controls directly and indirectly, where their influence on assets, liabilities, financial position, and profit or loss of the Group is not of minor importance. The decision on inclusion is made on the basis of quantitative and qualitative considerations. Not fully consolidated were 45 (2016: 48) companies controlled by ANDRITZ; not accounted for at-equity were 6 (2016: 5) associated companies. They are recorded in item "Investments and other financial assets". The entities of the Group are listed in note "R) Group companies".

The consolidation scope changed as follows:

| | 2017 | | 2016 | |
|---|--------------------|---------------|--------------------|---------------|
| | Full consolidation | Equity method | Full consolidation | Equity method |
| Balance as of January 1 | 139 | 4 | 134 | 3 |
| Acquisition of companies | 4 | | 8 | 1 |
| Disposal of companies | -1 | | | |
| New foundations | 2 | | | |
| Additions due to a change in consolidation type | 1 | | 1 | |
| Disposals due to a change in consolidation type | | | -1 | |
| Reorganization | -6 | | -3 | |
| Balance as of December 31 | 139 | 4 | 139 | 4 |
| Thereof attributable to: | | | | |
| Domestic companies | 6 | | 6 | |
| Foreign companies | 133 | 4 | 133 | 4 |

The acquisition of companies is explained in subsection "D) Acquisitions". The changes in the consolidation scope disclosed in the respective subsections of the notes to the consolidated statement of financial position are based on acquisitions of companies and changes in the consolidation type of subsidiaries.

D) ACQUISITIONS

Paperchine

ANDRITZ GROUP has acquired a 100% stake in Paperchine, Inc., USA and its subsidiaries. The company, owned so far by AstenJohnson Holdings Ltd. based in Charleston, South Carolina, has approximately 180 employees and manufacturing facilities in the USA, Canada, Thailand, and Germany. Paperchine is a global supplier of highly engineered equipment and provider of services to the paper industry's leading manufacturers. For ANDRITZ, the acquisition of Paperchine strengthens its presence in North America and adds new products, such as the horizontal GapFormer, SigmaPro headbox, dewatering elements (former Johnson Foils), moisturizer (former VIB), and related service to its offerings for international clients. This acquisition complements the Pulp & Paper business area's product portfolio. The closing of the transaction took place in the end of June 2017. Due to this acquisition four fully consolidated entities were included in the consolidation scope of ANDRITZ.

Based on the purchase price allocation a negative goodwill ("badwill") resulted in the amount of -1,660 TEUR. After re-examination of the assets acquired and the liabilities assumed, this goodwill was recognized as other operating income. The other operating income partially compensated for the restructuring costs incurred or reimbursed after the acquisition.

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

| (in TEUR) | Total |
|----------------------------------|---------------|
| Intangible assets | 448 |
| Property, plant, and equipment | 5,546 |
| Inventories | 9,578 |
| Trade accounts receivable | 5,836 |
| Cash and cash equivalents | 10 |
| Other assets | 4,746 |
| Deferred tax liabilities | 61 |
| Advance payments received | -2,947 |
| Trade accounts payable | -1,386 |
| Other liabilities | -6,787 |
| Net assets | 15,105 |
| Non-controlling interests | 0 |
| Goodwill | -1,660 |
| CONSIDERATION TRANSFERRED | 13,444 |

Transaction costs that are directly connected to a business combination are recognized as an expense as incurred. The acquired receivables do not contain any receivables that are expected to be uncollectible.

Since the first-time consolidation as of June 30, 2017 the acquisition has contributed 18,914 TEUR to the ANDRITZ GROUP's sales and -1,852 TEUR to the ANDRITZ GROUP's EBIT. If the business had been acquired at the beginning of the financial year 2017, it would have contributed sales in the amount of 42,412 TEUR and EBIT in the amount of -759 TEUR.

Further acquisitions

In April 2017, the ANDRITZ GROUP acquired a 50.1% stake in the laser company Powerlase Holdings Limited, Crawley, United Kingdom, and its subsidiaries. The high-tech company supplies – beside the Metals business area – international customers from the photovoltaic, microelectronics, automotive, and aerospace industries. The acquisition complements the Metals business area's product portfolio. Due to the minor importance for the assets, liabilities, financial position, and profit or loss this company will not be included in the consolidated financial statements.

E) ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the consolidated financial statements are as follows:

a) Consolidation principles

The separate financial statements of all fully consolidated companies compiled in accordance with uniform standards throughout the Group and complying with IFRS provisions form the basis of the consolidated financial statements. Intercompany receivables, liabilities, and internal service charges, including interim results within the Group, were eliminated. The consolidated financial statements were compiled on the basis of uniform accounting principles for comparable business transactions.

Business combinations are accounted for by applying the acquisition method, whereby the purchase price is offset against the revalued net assets of the acquired company (capital consolidation). In doing so, the values at the acquisition date, which is the date on which control of the acquiree was obtained, are used as a basis. The acquired identifiable assets, liabilities, and contingent liabilities are generally recognized at their fair values irrespective of the extent attributable to non-controlling interests. Application of the acquisition method requires certain estimates and assumptions to be made, especially concerning the fair values of the intangible assets and property, plant, and equipment acquired, the liabilities assumed at the acquisition date, and the useful lives of the intangible assets and the property, plant, and equipment acquired. Non-controlling interests can be measured either at cost (partial goodwill method) or at fair value (full goodwill method). The choice of method can be made on a case-by-case basis. It is general practice within the ANDRITZ GROUP to use the partial goodwill method. In step acquisitions, where a company is acquired in several stages, the fair values of the acquired entity's assets and liabilities are measured in accordance with IFRS 3 (Business Combinations) at the date on which control is obtained. Any resulting adjustments to the fair value of the existing interest are recognized in profit or loss. The carrying amount of the assets and liabilities already recognized in the statement of financial position is then adjusted accordingly.

b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power of disposition over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained until the date on which control is lost. Changes in the Group's share in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, any related non-controlling interests, and other components of equity. Any resulting gain or loss is recognized through profit or loss.

c) Currency translation

The consolidated financial statements are compiled in euros.

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 subsidiaries

Foreign consolidated subsidiaries are regarded as foreign operations because they are financially, economically, and organizationally autonomous. Their functional currencies are generally their respective local currencies. Items of the statement of financial position of foreign subsidiaries are translated at year-end rates to the presentation currency (EUR). Expenses and income are translated using the average exchange rates for the year. All resulting translation differences are included in currency translation adjustments in equity.

The major exchange rates used for foreign currency translation are as follows:

| In number of units per 1 EUR | | Rate at reporting date | | | Average rate for year |
|------------------------------|-----------------------|------------------------|-------------------|-------|-----------------------|
| | | December 31, 2017 | December 31, 2016 | 2017 | 2016 |
| BRL | Brazilian real | 3.97 | 3.43 | 3.61 | 3.87 |
| CAD | Canadian dollar | 1.50 | 1.42 | 1.47 | 1.47 |
| CHF | Swiss franc | 1.17 | 1.07 | 1.11 | 1.09 |
| CNY | Chinese renminbi yuan | 7.80 | 7.32 | 7.63 | 7.35 |
| DKK | Danish kroner | 7.44 | 7.43 | 7.44 | 7.45 |
| GBP | British pound | 0.89 | 0.86 | 0.88 | 0.82 |
| INR | Indian rupee | 76.61 | 71.59 | 73.62 | 74.46 |
| SEK | Swedish kronor | 9.84 | 9.55 | 9.64 | 9.48 |
| USD | US dollar | 1.20 | 1.05 | 1.13 | 1.11 |

d) Revenue and income recognition

Revenue covers all income resulting from the ANDRITZ GROUP's typical business activities. 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 the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue from construction contracts is recognized according to the percentage of completion using the cost-to-cost method (see note "n"). Interest is recognized pro rata based on the respective interest rate. Dividends from capital investments are recognized when the legal right to receive payment is established.

e) Income taxes

Income taxes include current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that the taxes are linked to a business combination or to items recognized in other comprehensive income. Current taxes are the expected tax due (or tax receivable) on the taxable income (or the tax loss) for the financial year based on the applicable income tax rates and all adjustments to the tax debt in respect of previous years. Actual tax liabilities also contain all tax debts arising as a result of dividends being declared. Current tax receivables and liabilities are offset if a legal right exists towards a tax authority to settle on a net basis. In the case of values determined in tax statements that cannot be realized the expected effects of these uncertain tax positions are considered.

Deferred taxes are recognized in respect of temporary differences between the net book value of assets and liabilities in the IFRS consolidated financial statements and their tax bases at the level of the subsidiaries. Deferred taxes are not recognized for

- taxable temporary differences in the initial recognition of goodwill
- temporary differences in the initial recognition of assets or liabilities in a business transaction which is not a business combination and affects neither the accounting profit nor the taxable profit
- temporary differences in connection with shares in subsidiaries, associated companies, and joint ventures provided that the Group is able to control the timing of the reversal of the temporary difference and it is likely that the temporary difference will not be reversed in the foreseeable future.

Deferred taxes are measured in accordance with the taxation rates (and regulations) applicable on the balance sheet date or which have essentially been passed as law and are expected to be applicable on the date when the deferred tax credits are realized or deferred tax liabilities are settled. A deferred tax asset is recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which it can be utilized. Deferred tax credits are assessed at every reporting date and reduced to the extent to which it is no longer likely that the related tax advantage will be realized. Provided that the deferred taxes relate to the same taxable entity and the same tax authority and that there is also a legally enforceable right to offset actual tax receivables against actual tax liabilities, deferred tax assets and liabilities are offset.

Within ANDRITZ GROUP, a tax group consists of ANDRITZ AG as head and ANDRITZ HYDRO GmbH as member of the tax group according to section 9 KStG 1988 (Austrian Corporate Tax Act). A tax compensation agreement was concluded. Furthermore, three fiscal unities with profit and loss absorption agreements exist between selected affiliated companies in Germany. In addition, comparable tax groups exist in the USA, the Netherlands, and France.

f) Intangible assets

Intangible assets are accounted for at cost. After initial recognition, intangible assets are accounted for at cost less accumulated amortization and any accumulated impairment losses. The intangible assets have a finite useful life and are therefore 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 the end of the fiscal year.

Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the net book value of an asset may be higher than the amount recoverable (the higher amount of fair value less costs-to-sell and value-in-use of an asset or of a cash generating unit). Whenever the net book value of an asset exceeds its recoverable amount, an impairment loss is recognized.

Amortization is calculated on a straight-line basis using the following estimated useful lives:

| | |
|--|--------------|
| Concessions, industrial rights, and similar rights | 3 - 15 years |
| Customer relationships | 3 - 10 years |
| Order backlog | 1 - 3 years |
| Technology | 3 - 10 years |
| Brand names | 7 - 10 years |

Research costs are expensed as incurred. Development costs required under construction contracts are recognized as part of the contract costs.

g) Goodwill

IFRS 3 is applied for business combinations and any resulting goodwill. According to this standard, goodwill is measured as the residual of the cost of the business combination after recognizing the acquired identifiable assets, liabilities, and contingent liabilities at fair value. Following a review of the amounts stated, the resulting value from the comparison of cost and fair value of the net assets of the acquired negative goodwill is recognized immediately in the income statement.

Goodwill is not amortized, but tested for impairment. This test has to be performed at least annually or more frequently if events or changes in circumstances indicate a need for impairment. ANDRITZ performs the annual goodwill impairment test at December 31 of each business year. 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 net book value exceeds the value in use which is calculated by using a discounted cash flow (DCF) calculation and the fair value less costs of disposal is not higher, an impairment loss is recognized. An impairment loss recognized for goodwill will not be reversed in a subsequent period.

The planning is done at the level of the cash generating units for the next three years. Future payment surpluses are based on internal forecasts, which are prepared in detail for the next financial year and with simplifications for the subsequent two years, reflecting the historical performance and best estimates on future developments. After this detailed planning horizon a normalized development is assumed.

The discount rate used for the DCF calculation is based on an interest rate representing the actual assessment of possible changes in exchange rates as well as specific risks of an asset. In consideration of the applicable currency and the corresponding risk profile, a discount rate before tax was applied.

In case the compositions of the original cash generating units change in the course of time due to reorganizations and changes in the reporting structure, the goodwill is reallocated accordingly.

h) Property, plant, and equipment

Property, plant, and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When assets are sold or retired, their costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is included as other operating income or as other operating expenses in the income statement. The cost of property, plant, and equipment comprises its purchase price including import duties and non-refundable purchase taxes as well as any directly attributable costs of bringing it to the appropriate location for its intended use and putting the asset into working condition. The production costs of self-constructed assets contain direct material and production costs as well as adequate indirect material and production costs. Expenditure incurred after the fixed assets have been put into operation, such as maintenance and repair, is charged to the income statement in the period in which the costs are incurred.

Assets under construction are considered as plant and properties under construction and are stated at cost.

Depreciation is calculated on a straight-line basis using the following estimated useful lives:

| | |
|---------------------------------------|---------------|
| Buildings | 20 - 50 years |
| Technical equipment and machinery | 4 - 10 years |
| Tools, office equipment, and vehicles | 3 - 10 years |

The useful lives and the depreciation method 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.

Property, plant, and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the net book value of an asset may be higher than the amount recoverable (the higher amount of fair value less costs-to-sell and value-in-use of an asset or of a cash generating unit). Whenever the net book value of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash generating unit.

Government grants

Government grants related to assets are deducted from the cost of the asset. Grants related to income are recorded as other operating income in the income statement.

Borrowing costs

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

i) Leases

A lease is an agreement whereby the lessor assigns the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. Leases are classified as either finance or operating leases. Leasing transactions that transfer substantially all risks and rewards incidental to ownership of the leased asset to the lessee are classified as finance leases. All other leasing agreements are classified as operating leases. Where ANDRITZ is the lessee in a finance lease, the leased asset is capitalized at the lower of the fair value or present value of the minimum lease payments at the beginning of the lease term and recognized simultaneously as financial liabilities. The leased asset is depreciated by the straight-line method over the expected useful life or, if shorter, over the term of the relevant lease according to IAS 17. When the Group is the lessee in an operating lease, the lease payments are generally expensed on a straight-line basis over the term of the leasing agreement. The leased asset remains on the statement of financial position of the lessor as property, plant, and equipment.

j) Shares in associated companies

Associated companies are those entities which the Group has significant influence on, but not control or joint control over the financial and operating policies. Associated companies are accounted for at equity and are initially recorded at cost.

k) Investments and other financial assets

These non-current assets consist primarily of non-current securities, Schuldscheindarlehen, shares in non-consolidated companies, and other shares. Non-current securities and Schuldscheindarlehen are initially recognized at cost including transaction costs and are classified as available for sale investments. In subsequent periods they are measured at fair value. Changes in these fair values are recognized as other comprehensive income, net of income tax until the security is disposed of or an impairment loss is recognized. In this case, the cumulative change previously recognized in equity is included in the income statement of the period. Interest income is recognized directly in the income statement in the period in which it is incurred. 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 less impairment losses, if applicable. This relates to other shares and shares in non-consolidated companies. Financial assets classified as loans and receivables are measured at amortized costs using the effective interest method less any impairment losses.

The current investments consist of government bonds, bonds of top-rated banks, money market funds, and bond funds. They are held for the purpose of investing liquid funds and are not generally intended to be retained on a long-term basis. Current investments are initially recognized at fair value plus transaction costs and are classified as available for sale investments. In subsequent periods marketable securities are measured at fair value. Changes in these fair values are recognized as other comprehensive income for the year, net of income tax until the security is disposed of or an impairment loss is recognized. In case of a significant and prolonged decline in fair value, impairment losses are recognized in the income statement for the period concerned

l) Trade accounts receivable

Receivables are initially recognized at fair value and subsequently at amortized cost after valuation allowances for doubtful accounts. Already during the bidding phase the creditworthiness of customers is evaluated and corresponding credit limits are set. In order to minimize the risk associated with bad debts, payment securities are agreed upon with the customer and the credit risk will largely be covered by public or private insurance companies, respectively. In determining the recoverability of a trade receivable, the Group considers any change in creditworthiness from the date on which the credit was initially granted up to the reporting date.

m) Inventories

Inventories, including work in progress and unfinished services, are valued at the lower of purchase or production cost and net realizable value after valuation allowances 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 is fully written-off. Contracts other than construction contracts are valued at production cost. For these contracts, sales are recognized when the risk of ownership of the goods is transferred ("completed contract method"). Changes in inventories of finished goods and work in progress serve to neutralize expenses for inventories still in stock on the balance sheet date.

n) Construction contracts

Receivables from construction contracts and the related sales are accounted for using the percentage of completion method. Projects are characterized by fixed prices agreed upon on the basis of individual contract

terms. The extent of completion ("stage of completion") is established by the cost-to-cost method. Reliable estimates of the total costs, sales prices, and the actual figures for the accumulated costs are available on a monthly basis. Estimated contract profits are recorded in earnings in proportion to recorded sales. In applying the cost-to-cost method, sales and profits are recorded in consideration of the ratio of accumulated costs to the estimated total costs to complete. Changes to total estimated contract costs and losses, if any, are recognized in the income statement for the period in which they are determined. An individually assessed amount is included in the estimated contract costs for each contract for technological and financial risks that might occur during the remaining construction period. Impending losses out of the valuation of construction contracts are recognized when it is probable that the total contract costs will exceed the contract sales. For possible costs of rectification and guarantee work, including expected warranty costs, provisions are accounted for according to the profit realization. Upon completion of a contract, the remaining warranty risk is reassessed.

If the contract margin cannot be estimated reliably, revenue is recognized only in the amount of the contract cost incurred ("zero profit method"). A profit is only recognized once the contract margin can be estimated reliably.

Change orders and claims are included in the contract revenue insofar as these will probably result in revenue that is capable to being estimated reliably.

o) Cash and cash equivalents

Cash includes cash in hand and cash at banks. Cash equivalents comprise short-term investments that have original maturities of three months or less and are subject to an insignificant risk of changes in value.

p) Share capital

Only ordinary shares exist and all shares have been issued and have the same rights. The share capital of ANDRITZ AG amounts to 104,000 TEUR, divided into 104 million shares of no-par value.

q) Capital reserves

Capital reserves consist of share premium amounts.

r) Retained earnings

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

s) Provisions

A provision is recognized when the enterprise has a current obligation (legal or constructive) as a result of a past event and it is probable 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 measured at the expected settlement amount. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. When the effect of the time value of money is significant, a non-current provision is recorded at the present value of the expenditure expected to be required to settle the obligation.

t) Employee benefits

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

In some countries there is a legal obligation to make severance payments in certain cases of termination of employment. No severance payments are made in the event of a voluntary resignation of the employee. Appropriate provisions are made for severance payment obligations.

The obligations are valued every year by professionally qualified and independent actuaries by using the projected unit credit method, different discount rates for different countries, and different average terms, respectively. This 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. The plan assets are deducted at fair value from the gross obligation. This results in the net debt and the net asset value, respectively, to be reported. Due to the net interest approach, the Group determines the net interest cost (net interest income) by multiplying the net debt (net asset value) at the beginning of the period by the interest rate based on the discounting of the performance-related gross obligation at the beginning of the period. The net interest component resulting from obligations and plan assets is recognized as interest expenses in the consolidated income statement. All rereasurement effects are shown in other comprehensive income for the year. The rereasurement components include the actuarial gains and losses from measurement of the performance-related gross obligation on the one hand and the difference between actually realized return on plan assets and the typically assumed return at the beginning of the period on the other hand. In the event that the plan has been overfunded, the rereasurement component also contains the change in net asset value from applying the asset ceiling if this has not been considered in the net interest component. If the present value of a defined benefit obligation changes as a result of plan amendments or curtailments, ANDRITZ shows the resulting effects in profit or loss for the period. Past service costs are generally recognized at the time the plan amendment occurs.

Some Group companies provide defined contribution plans for certain employees. The related costs are expensed as they occur.

u) Management share option programs

Share Option Program 2014

Due to the non-achievement of the performance conditions for the exercise of the options the fair value of the options was entirely released to profit and loss in 2017. Hence, a one-off effect on earnings was caused in the amount of 7.505 TEUR.

Share Option Program 2016

The 109th Annual General Meeting, held on March 30, 2016, adopted another share option program for managers and members of the Executive Board. The number of options granted to the different managers can be up to 20,000, depending on the respective area of responsibility, and up to 37,500 for the members of the Executive Board. 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 have been in active employment with ANDRITZ AG or one of its affiliates as from May 1, 2016, until the date of exercise of an option. Another requirement is that managers must have invested at least 20,000 EUR in ANDRITZ shares from their own resources, and members of the Executive Board at least 40,000 EUR.

The exercise price of the option is the unweighted average closing price of ANDRITZ shares in the four calendar weeks following the 109th Annual General Meeting, held on March 30, 2016.

The options can be exercised between May 1, 2019, and April 30, 2021 (i.e. period of exercise), provided that the average unweighted closing price of the ANDRITZ share over 20 consecutive trading days within the period from May 1, 2018 to April 30, 2019 is at least 15% above the exercise price and the earnings per share in the 2017 financial year (based on the total number of shares listed); or the earnings per share in the 2018 financial year (based on the total number of shares listed) are at least 15% above the earnings per share in the 2015 financial year (based on the total number of shares listed); or the average unweighted closing price of the ANDRITZ share over 20 consecutive trading days within the period from May 1, 2019 to April 30, 2020 is at least 20% above the exercise price and the earnings per share in the 2018 financial year (based on the total number of shares listed); or the earnings per share in the 2019 financial year (based on the total number of shares listed) are at least 20% above the earnings per share in the 2015 financial year (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 2016 totaled 926,500. The fair value of the options at the time of granting amounts to 6,286 TEUR; thereof 2,095 TEUR were reported as proportionate expense in 2017 (2016: 1,222 TEUR). The calculation of fair value was based on an option pricing model; a Monte Carlo simulation was applied. The share price at the time of granting the options was the closing price of the ANDRITZ share on June 1, 2016, and amounts to 45.29 EUR. The exercise price of 47.80 EUR was calculated in accordance with the rules of the share option program. The expected volatility and the expected dividend were calculated on the basis of historical data of ANDRITZ.

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

v) Financial instruments

A financial instrument is a contract between two entities that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The accounting for financial instruments is recognized on the trade date.

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual share 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.

Categories of financial instruments

The valuation of financial instruments is based on their classification into below mentioned and explained categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Available-for-sale (AFS) financial assets

- Held-to-maturity investments
- Financial liabilities at fair value through profit or loss
- Other financial liabilities

“Financial assets at fair value through profit or loss” are assets which are either “held for trading” by the Group or which are designated “at fair value through profit or loss”. Assets classified as held for trading are assets acquired or held for the purpose of selling or repurchasing in the short term or which are derivatives (except those that are designated as an effective hedging instrument). Designated financial assets at fair value through profit or loss essentially include any financial assets that are designated irrevocably on initial recognition as one to be measured at fair value with fair value changes in profit or loss, regardless of the intention of trade (fair value option). The fair value option for a financial instrument is not exercised within the Group. Financial assets generating profits from short-term fluctuations in the market price or dealer’s margin are also not kept. The Group uses derivatives to manage its exposure to interest rates, foreign exchange rates, and commodity price risks. In the Group those derivatives that do not meet the criteria of a hedge according to IAS 39 (Hedge Accounting) are assigned to this category. Derivatives are initially recognized at fair value at the date on which the company enters into a derivative contract and are subsequently reassessed to their fair value at each balance sheet date. Any change in value resulting from changes in fair value is recognized in the income statement. Depending on the fair value of the derivative it is either recognized as other receivables or other liabilities.

The Group classifies trade receivables, loans, 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 losses.

“Available-for-sale (AFS) financial assets” are non-derivative financial assets that are designated as “available for sale” or are not classified as financial assets “at fair value through profit or loss”, or “loans and receivables”. Equity securities (e.g. shares), debt securities (e.g. bonds), and other investments (e.g. fund shares) held by the Group are designated as AFS financial assets. AFS financial assets are stated at fair value. Changes in value 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. Those are recognized directly through profit or loss. When the financial instrument is disposed of or is determined to be impaired, the cumulative changes previously recognized in the financial investments reserve is reclassified to the profit or loss of the period. 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. Dividends on AFS equity instruments are recognized in profit or loss when the Group’s right to receive payments is established.

The **“held-to-maturity”** category will not be further elaborated because the Group does not have a held-to-maturity portfolio.

The Group classifies its **“financial liabilities at fair value through profit or loss”** if the financial liability is held for trading or if it is a derivative that is not designated or effective as a hedging instrument. The fair value option for a financial instrument is not exercised within the Group. The Group uses derivatives to manage its exposure to interest and foreign exchange rate risk as well as to commodity price risk. In the Group those derivatives that do not meet the criteria of a hedge according to IAS 39 (Hedge Accounting) are assigned to this category. Derivatives are initially recognized at fair value at the date of entering into a derivative contract. Any change in value resulting from changes in fair value is recognized in the income statement. Depending on the fair value of the derivative it is either recognized as other receivables or other liabilities. The Group does not keep any financial liabilities that generate profits from short-term fluctuations in the market price or dealer’s margin.

“**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 cost recognized on an effective yield basis.

Recognition and derecognition

If the Group qualifies as a party to the contract concerning the contract regulations, financial assets and financial liabilities are recognized in the consolidated statement of financial position in accordance with the substance of the contractual arrangement. Financial assets and liabilities listed in the statement of financial position include cash, marketable securities, trade and some other accounts receivable and payable, non-current receivables, interest-bearing borrowings, issued bonds, and investment securities. 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. Financial assets are initially measured at fair value plus transaction costs, except for those financial assets classified at fair value through profit or loss. These 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.

Impairment

Financial assets other than those at fair value through profit or loss are assessed for indicators of impairment at each closing date. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the investment have been negatively impacted as a result of one or more events that occurred after the initial recognition of the financial asset. For financial assets carried at amortized costs, the amount of the impairment is the difference between the asset's net book value and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable becomes doubtful, it is written off against the allowance account. Changes in the carrying value of the allowance account are recognized through profit or loss. The impairment loss previously recognized 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 must not result in a carrying value of the financial asset that exceeds what the amortized cost would have been if the impairment had not been recognized at the date the impairment is reversed. The exceptions are available-for-sale equity instruments, for which any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income for the year. No reversal through profit or loss is made if the reasons for impairment of equity instruments, which are measured at cost, no longer apply.

Fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement of financial instruments at fair value follows a three-level hierarchy and is oriented according to the proximity of the applied measurement factors to an active market.

- **Level 1:** Financial instruments are valued according to level 1 if they have a quoted price in an active market for an identical asset or liability accessible for an entity. Quoted prices represent the fair value.
- **Level 2:** If the valuation according to level 1 is not accomplishable, level 2 valuation uses directly or indirectly observable inputs for determining the fair value.
- **Level 3:** If inputs are not observable, level 3 valuation uses unobservable inputs for determining the fair value.

Hedge Accounting

Applying the rules of hedge accounting in connection with **fair value hedging**, the change in the fair value as hedging instrument is recognized through profit or loss. The gain or loss on the hedged item attributable to the changes of the hedged risk results in an adjustment of the net book value 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 qualified for hedge accounting. The adjustment to the net book value of the hedged item arising from the hedged risk is released to profit or loss from that date. ANDRITZ designated the bond issued and the corresponding interest rate swaps as being 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, together with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, the Group has been documenting that the swaps are highly effective in offsetting changes in fair values or cash flows of the hedged item at the inception of the hedge and on an ongoing basis.

According to the rules of hedge accounting in connection with **cash flow hedging**, the changes in 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 to a small and further decreasing extent. Otherwise, gains and losses initially recognized in equity for all other cash flow hedges 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.

Embedded derivatives

IAS 39 outlines the accounting of derivatives that are embedded in non-derivative financial instruments (embedded derivatives). Some hybrid contracts contain both a derivative and non-derivative component. In these cases, the derivative component is regarded as an embedded derivative and the non-derivative component represents the host contract. If the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract and the contract is not rated at fair value, the embedded derivative is separated from the host contract and carried at fair value. The host contract will continue to be measured in accordance with the relevant accounting standard. Changing values of the fair valued embedded derivatives in the Group's consolidated financial statements are shown as "held for trading" in the financial assets at fair value through profit or loss. The net book value of the embedded derivative is recognized as other receivables or as other liabilities in the statement of financial position.

w) Contingent assets and liabilities

A contingent asset is not recognized in the financial statements, but is disclosed if an inflow of economic benefit is probable. Contingent liabilities are not recognized in the financial statements. They are only disclosed if the possibility of an outflow of resources embodying economic benefit is probable.

F) USE OF DISCRETIONARY JUDGMENTS AND ESTIMATES

Preparation of the consolidated financial statements requires the management to make discretionary judgments, estimates, and assumptions that can affect the applied accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and discretionary judgments are reviewed regularly. Revisions of estimates are recognized prospectively. The Group has made key assumptions concerning the future and has identified material sources of estimation uncertainties.

a) Construction contracts

Customized construction contracts are essential for the business of ANDRITZ GROUP. The accounting for construction contracts is based on estimations for contract costs, recoverable contract revenue as well as contract risks, including technical, political, and financial risks. These estimations are verified and adjusted regularly. Although these estimations are based on all information available on the balance sheet date, substantial changes after the balance sheet date are possible.

b) Employee benefits

For the valuation of pension plan and other employee benefits, parameters such as the expected discount rate, increases of salary and pension payments as well as the return on plan assets are used. If the relevant parameters develop significantly different than expected, this could have a material impact on the Group's defined benefit obligation and, subsequently, on related expenses.

c) Provisions

Provisions are recognized and measured based on estimates of the extent and probability of future events as well as estimates of the discount rate. As far as possible, these are based on past experience.

d) Goodwill, other intangible assets, and tangible assets

The impairment analysis for goodwill, other intangible assets, and tangible assets is primarily based on discounted estimated future cash flows from the continued use and disposal of an asset at the end of its useful life. Factors such as lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates used could lead to impairment.

e) Management share option programs

The share option plans are measured based on the fair value of the options on the grant date. The fair value of the options is based on parameters such as volatility, interest rate, share price, duration of the options, and expected dividend. The interpretation of market information necessary for the estimation of fair values also requires a certain degree of subjective judgment. This can result in a difference between the amounts recorded and values subsequently realized in the market.

f) Income taxes

Estimates of the future realization of deferred tax assets are decisive in assessing the recoverability of deferred tax assets. This realization is dependent on the generation of future taxable profits during the periods in which temporary differences reverse and tax loss carryforwards can be utilized. This assessment takes account of the probability of the deferred tax liabilities being reversed as well as the future taxable profits. It could have adverse effects on assets, financial, and earnings situation, if the actual results deviate from these estimates or if these estimates need to be adjusted in future periods. Effects of uncertain tax positions include the best estimation of the expected tax payment. In the future, new information could be available causing the management to change the assumptions.

g) Trade accounts receivable

The allowance for doubtful accounts includes significant estimates and judgments of individual receivables, based on the creditworthiness of the respective customer, current economic developments, and the analysis of historical bad debts.

h) Assets held for sale

In accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", assets held for sale are measured at the lower of fair value less costs to sell and carrying amount. The determination of fair value less costs to sell includes management estimates and assumptions that are subject to a degree of uncertainty. Actual sales may differ from the assumptions made.

i) Leasing

The application of the appropriate accounting policies for the classification of leases leads to discretionary decisions by the management.

G) NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Sales

| (in TEUR) | 2017 | 2016 |
|--|------------------|------------------|
| Contract revenue recognized as projects under construction | 3,731,259 | 4,008,427 |
| Others | 2,157,788 | 2,030,547 |
| | 5,889,047 | 6,038,974 |

Sales associated with construction contracts are recognized according to the percentage of completion method and are reported as "Contract revenue recognized as sales of ongoing projects". "Others" contain orders recognized according to the completed contract method.

In the segment information (see note "H) Segment reporting"), Group sales are shown according to business areas and regions.

2. Other operating income

| (in TEUR) | 2017 | 2016 |
|--|----------------|---------------|
| Profit on disposal of intangible assets and property, plant, and equipment | 59,797 | 7,700 |
| Insurance income | 24,652 | 4,704 |
| Government grants | 22,749 | 18,447 |
| Exchange rate gains | 21,254 | 7,298 |
| Rental income | 8,140 | 7,003 |
| Income from scrap material | 6,829 | 4,509 |
| Miscellaneous | 44,973 | 27,860 |
| | 188,394 | 77,521 |

Gains from disposal of intangible assets and property, plant, and equipment mainly include the sale of the Schuler Technology Center in Tianjin, China, and the sales properties in Germany and Switzerland. Miscellaneous other operating income includes, but is not limited to, compensation payments for the premature termination of a rental agreement.

3. Cost of materials

| (in TEUR) | 2017 | 2016 |
|--|------------------|------------------|
| Expenses for raw materials, supplies and goods purchased | 2,310,800 | 2,384,541 |
| Expenses for services purchased | 718,022 | 736,843 |
| | 3,028,822 | 3,121,384 |

4. Personnel expenses

| (in TEUR) | 2017 | 2016 |
|--|------------------|------------------|
| Wages and salaries | 1,388,246 | 1,341,528 |
| Expenses for social security contributions as required by law as well as salary-based charges and compulsory contributions | 219,914 | 219,613 |
| Other social expenses and termination expenses | 54,695 | 50,589 |
| Pension expenses | 49,526 | 39,248 |
| Severance expenses | 5,449 | 5,650 |
| | 1,717,830 | 1,656,628 |

The number of employees within ANDRITZ GROUP comprises as follows:

| (headcount) | 2017 | 2016 |
|-------------------------|--------|--------|
| As of December 31, 2017 | 25,566 | 25,162 |
| Average | 25,404 | 25,056 |

5. Other operating expenses

| (in TEUR) | 2017 | 2016 |
|--|----------------|----------------|
| Sales expenses | 195,192 | 190,998 |
| Travel expenses | 173,309 | 166,674 |
| Repairs and maintenance | 78,446 | 72,227 |
| Rents and lease expenses | 75,700 | 73,985 |
| Legal, consulting, and audit expenses | 72,617 | 62,414 |
| Administrative expenses | 52,714 | 53,738 |
| Insurance premiums and charges | 37,052 | 35,545 |
| Expenses for energy and water | 30,400 | 27,072 |
| Bank charges, guarantees, and similar expenses | 26,310 | 21,579 |
| Other taxes and charges | 11,831 | 21,687 |
| Further training expenses to employees | 11,726 | 10,334 |
| Expenses for industrial patents, rights, licenses | 10,188 | 10,994 |
| Expenses for valuation allowance and bad debt losses for receivables | 6,715 | 13,633 |
| Miscellaneous | 45,507 | 48,951 |
| | 827,707 | 809,831 |

Miscellaneous other operating expenses include, but are not limited to, charges to public institutions and losses from the disposal of intangible assets and property, plant, and equipment.

6. Depreciation, amortization, and impairment of intangible assets and property, plant, and equipment

| (in TEUR) | 2017 | 2016 |
|---------------------------------------|----------------|----------------|
| Intangible assets | | |
| Depreciation and amortization | 42,829 | 48,719 |
| Impairment losses | 2,030 | 345 |
| Property, plant, and equipment | | |
| Depreciation and amortization | 86,719 | 91,243 |
| Impairment losses | 4,392 | 7,646 |
| Reversal of impairment losses | 0 | -5,726 |
| | 135,970 | 142,227 |

In the 2017 financial year impairment losses on technology-related intangible assets were made for intangible assets, as the business did not develop as expected. These impairment losses relate to the Hydro business area. In addition, impairments were mainly made on a property in China, a production facility in Austria and a test facility in Switzerland. These impairment losses relate to the Hydro business area in the amount of 3,088 TEUR and the Metals business area in the amount of 1,304 TEUR.

7. Financial result

| (in TEUR) | 2017 | 2016 |
|----------------------------------|--------------|---------------|
| Result from associated companies | 16 | 20 |
| Interest income | 33,521 | 42,486 |
| Interest expenses | -44,047 | -37,651 |
| Other financial result | 11,851 | 7,795 |
| | 1,341 | 12,650 |

Interest expenses contain 4,171 TEUR (2016: 8,461 TEUR) for interest cost on obligations for pensions, severance payments, and jubilee payments as well as on expected return on plan assets. The item "Other financial result" consists of gains from disposal of securities of 6,349 TEUR (2016: 0 TEUR), exchange rate gains and losses on loans and cash accounts in the amount of 4,478 TEUR (2016: 5,494 TEUR) as well as dividend income from investments of 3,603 TEUR (2016: 2,919 TEUR).

8. Income taxes

| (in TEUR) | 2017 | 2016 |
|----------------|-----------------|-----------------|
| Current taxes | -120,378 | -176,899 |
| Deferred taxes | -14,602 | 53,271 |
| | -134,980 | -123,628 |

The reconciliation of the calculated income tax expense to the effective tax expense is defined below. The calculated tax expense in the amount of 100,151 TEUR is determined by multiplying the Earnings Before Taxes in the amount of 400,603 TEUR by the applicable tax rate for ANDRITZ AG of 25%:

| (in TEUR) | 2017 | 2016 |
|---|-----------------|-----------------|
| Earnings Before Taxes (EBT) | 400,603 | 398,444 |
| Calculated tax expense (25% in 2017 and 25% in 2016) | -100,151 | -99,611 |
| Increase (-)/Decrease (+) of tax expense by: | | |
| Non-tax-deductible expenses | -11,454 | -13,422 |
| Tax allowances and tax-exempted income | 5,284 | 6,284 |
| Foreign tax rate differential arising from foreign fiscal jurisdictions | 4,931 | -9,753 |
| Effects of changes in tax rates | -8,115 | -533 |
| Taxes for prior years | -5,145 | 1,226 |
| Change in valuation allowance; non-recognition of deferred tax assets | -14,411 | 5,179 |
| Non-deductible impairment of goodwill | -1,996 | -4,602 |
| Non-allowable withholding taxes; Foreign operating site taxes | -13,526 | -12,094 |
| Tax-exempted income from business disposals | 4,470 | 0 |
| Others | 5,133 | 3,698 |
| Effective tax expense | -134,980 | -123,628 |
| in % of EBT | -33.7% | -31.0% |

The nominal income tax rates applicable for subsidiaries abroad were between 9.0% and 38.4% (2016: 10.0% and 42.7%) in the financial year.

The changes in deferred taxes in the statement of financial position are as follows:

| (in TEUR) | 2017 | 2016 |
|--|---------------|---------------|
| Deferred tax assets | 187,528 | 183,284 |
| Deferred tax liabilities | -104,300 | -159,168 |
| Balance as of January 1 | 83,228 | 24,116 |
| Deferred taxes recognized in income statement | -14,602 | 53,271 |
| Deferred taxes recognized in other comprehensive income | 2,268 | 4,165 |
| Reclassification as held for sale | 2,475 | -291 |
| Changes in consolidation scope, currency translation adjustments | -8,614 | 1,967 |
| Balance as of December 31 | 64,755 | 83,228 |
| Thereof: | | |
| Deferred tax assets | 152,647 | 187,528 |
| Deferred tax liabilities | -87,892 | -104,300 |

Deferred tax assets and liabilities as of December 31, 2017 and 2016 are the result of the following temporary valuation differences between the book values of the statement of financial position according to IFRS and the relevant tax bases:

| (in TEUR) | 2017 | | 2016 | |
|--|----------------|-----------------|----------------|-----------------|
| | Assets | Liabilities | Assets | Liabilities |
| Intangible assets | 6,072 | -34,401 | 3,836 | -53,051 |
| Property, plant, and equipment | 10,706 | -28,640 | 10,821 | -36,664 |
| Financial assets | 8,113 | -28,312 | 6,575 | -25,542 |
| Inventories | 257,367 | -4,823 | 358,427 | -7,672 |
| Receivables and other assets | 156,728 | -242,996 | 45,650 | -162,654 |
| | 438,987 | -339,172 | 425,309 | -285,583 |
| Provisions | 127,060 | -22,031 | 133,240 | -30,224 |
| Liabilities | 101,698 | -257,297 | 146,622 | -335,652 |
| | 228,758 | -279,328 | 279,862 | -365,876 |
| Tax loss carryforwards | 100,710 | 0 | 111,846 | 0 |
| Deferred taxes before non-recognition and netting | 768,455 | -618,500 | 817,017 | -651,459 |
| Non-recognized deferred tax assets | -87,675 | 0 | -82,039 | 0 |
| Reclassification as held for sale | 0 | 2,475 | -333 | 42 |
| Netting | -528,133 | 528,133 | -547,117 | 547,117 |
| Net deferred tax assets and liabilities | 152,647 | -87,892 | 187,528 | -104,300 |

On the balance sheet date, the Group has operating loss carry forwards (gross values) amounting to 500,756 TEUR (2016: 558,904 TEUR). Thereof, corporate tax loss carry forwards of 134,551 TEUR (2016: 163,924 TEUR), trade tax loss carry forwards of 132,861 TEUR (2016: 180,292 TEUR), and interest carry forwards of 0 TEUR (2016: 7,827 TEUR) concerning the fiscal unities in Germany.

Non-recognition of deferred tax assets apply to the following (gross values):

| (in TEUR) | 2017 | 2016 |
|----------------------------------|---------|---------|
| Deductible temporary differences | 75,596 | 81,578 |
| Tax loss carryforwards | 228,663 | 214,641 |

The unrecognized tax loss carry forwards (gross values) include an amount of 37,408 TEUR, which are subject to expiration within the next five years. German fiscal unities contain frozen corporate tax loss carry forwards of 10,437 TEUR as well as frozen trade tax loss carry forwards of 7,860 TEUR.

The deductible temporary partial write-downs (amounts for outstanding sevenths from tax write-downs on investments) calculated in accordance with Austrian tax law amounted to 15,725 TEUR (2016: 21,925 TEUR). Deferred tax assets were recognized in the amount of 3,931 TEUR (2016: 5,481 TEUR).

Regarding investments in subsidiaries, branches, and associated companies as well as in interests in joint arrangements no deferred tax liabilities were recognized for temporary differences in the amount of 198,135 TEUR (2016: 236,528 TEUR).

9. Earnings per share

Basic earnings per share (as stated subsequently in the consolidated income statement) were 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 earnings per share were 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.

| (in TEUR) | 2017 | 2016 |
|--|-------------|-------------|
| Net income attributable to shareholders of the parent | 262,967 | 274,646 |
| Weighted average number of no-par value shares | 101,850,822 | 102,106,518 |
| Effect of potential dilution of share options | 0 | 9,460 |
| Weighted average number of no-par value shares and share options | 101,850,822 | 102,115,978 |
| Basic earnings per no-par value share (in EUR) | 2.58 | 2.69 |
| Diluted earnings per no-par value share (in EUR) | 2.58 | 2.69 |

H) SEGMENT REPORTING

a) Business areas

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

ANDRITZ Hydro (HY)

ANDRITZ Hydro is one of the leading global suppliers of electromechanical equipment for hydropower plants. With over 175 years of accumulated experience and more than 31,000 turbines supplied, totaling approximately 430,000 megawatts output, the business area provides the complete range of products, including turbines, generators, and additional equipment of all types and sizes – “from water to wire” for small hydro applications to large hydropower plants with outputs of more than 800 megawatts per turbine unit. ANDRITZ Hydro is well positioned in the growing modernization, refurbishment, and upgrade market for existing hydropower plants. Pumps (for water transport, irrigation of agricultural land, and applications in various industries) and turbogenerators for thermal power plants are also assigned to the business area.

ANDRITZ Pulp & Paper (PP)

ANDRITZ Pulp & Paper is a leading global supplier of complete plants, systems, equipment, and comprehensive services for the production and processing of all types of pulp, paper, board, and tissue. The technologies cover the processing of logs, annual fibers, and waste paper; the production of chemical pulp, mechanical pulp, and recycled fibers; the recovery and reuse of chemicals; the preparation of paper machine furnish; the production of paper, board, and tissue; the sizing, calendering and coating of paper as well as the treatment of reject materials and sludge. The service offering includes system and machine modernization, rebuilds, spare and wear parts, on-site and workshop services, optimization of process performance, maintenance and automation solutions as well as machine relocation and second-hand equipment. Biomass, steam and recovery boilers for power generation, gasification plants, flue gas cleaning plants, systems and plants for the production of nonwovens, dissolving pulp, and panelboard (MDF) as well as recycling and shredding solutions for various waste materials also form a part of this business area.

ANDRITZ Metals (ME)

ANDRITZ Metals is the technology and global market leader in forming equipment through the Schuler Group, in which ANDRITZ has a stake of more than 95 percent. Schuler offers presses, automation solutions, dies, process know-how, and services for the entire metal forming industry. Its customers include car manufacturers and their suppliers as well as companies in the forging, household appliance, packaging, energy, and electrical industries. Schuler is also the market leader in coin minting technology and offers system solutions for the aerospace industry, rail transport, and manufacture of large pipes. In addition, ANDRITZ Metals is one of the leading global suppliers of complete lines for the production and processing of cold-rolled strip made of carbon steel, stainless steel, aluminum, and other non-ferrous metals. The lines comprise equipment for pickling, cold rolling, annealing and heat treatment, surface finishing, strip coating and finishing, punching and deep drawing, and the regeneration of pickling acids. The business area also supplies turnkey furnace systems for the steel, copper, and aluminum industries, burners and refractory products as well as welding systems for the metal working industry.

ANDRITZ Separation (SE)

ANDRITZ Separation is one of the leading separation technology specialists with the broadest technology portfolio in solid/liquid separation. The industries served include sectors ranging from environment to food, chemicals, and mining and minerals. The comprehensive product portfolio for solid/liquid separation includes mechanical technologies such as centrifuges, filters, screens, thickeners, or separators, and thermal technologies such as dryers or coolers. The service sector focuses on customer support through local presence, prompt delivery of spare and wear parts, process monitoring and optimization as well as operator training. In addition,

the Separation business area offers technologies and services for the production of animal feed and biomass pellets.

These strategic business areas form the basis of the internal reporting structure to the Executive Board as the key decision maker. The accounting and valuation principles of the individual segments are the same as those of the Group (see note "E) Accounting Policies"). The segment Separation also contains the Feed & Biofuel Technologies business area for which the Executive Board obtains a separate reporting. As the thresholds of the Feed & Biofuel Technologies business area are below the limits, both business areas are condensed to one reportable segment. According to the internal reporting structure, 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 opportunities. The key measure of operating performance for the Group is Earnings Before Interest, Taxes, and Amortization (EBITA). There are no substantial inter-segmental transactions. All consolidation effects related to the income statement are included in the relevant business area.

b) Geographical segmentation

The Group's activities are mainly conducted in Europe, North America, South America, China, and Asia (without China). External sales allocated by geographical segments are based on the location of the customers. There are no sales from transactions with a single external customer that amount to 10% or more of the Group's sales.

2017

Business area information

| (in TEUR) | HY | PP | ME | SE | Total |
|---|-----------|-----------|-----------|---------|-----------|
| Sales | 1,583,073 | 2,059,678 | 1,643,535 | 602,761 | 5,889,047 |
| EBITDA | 154,005 | 221,540 | 129,724 | 36,391 | 541,660 |
| EBITA | 122,993 | 194,863 | 98,591 | 27,543 | 443,990 |
| Capital expenditure | 36,285 | 42,127 | 29,673 | 8,674 | 116,759 |
| Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment | 34,047 | 28,977 | 61,322 | 11,624 | 135,970 |
| Result from associated companies | 0 | 16 | 0 | 0 | 16 |
| Shares in associated companies | 0 | 0 | 6,407 | 0 | 6,407 |

Information according to geographical segments

| (in TEUR) | Europe | North America | South America | China | Asia (without China) | Rest of the world and consolidation | Total |
|---------------------|-----------|---------------|---------------|---------|----------------------|-------------------------------------|-----------|
| External sales | 2,192,225 | 1,223,914 | 566,671 | 882,008 | 779,983 | 244,246 | 5,889,047 |
| Non-current assets | 709,945 | 141,695 | 25,087 | 111,259 | 33,976 | 509,357 | 1,531,319 |
| Capital expenditure | 86,890 | 12,691 | 5,547 | 5,979 | 5,557 | 95 | 116,759 |

External sales in Europe include an amount of 151,117 TEUR recognized in Austria. Non-current assets of 298,347 TEUR are located in Austria. Non-current assets consist of property, plant, and equipment, goodwill, intangible assets, non-current trade accounts receivable as well as other non-current receivables and other assets.

2016

Business area information

| (in TEUR) | HY | PP | ME | SE | Total |
|---|-----------|-----------|-----------|---------|-----------|
| Sales | 1,752,458 | 2,094,371 | 1,598,393 | 593,752 | 6,038,974 |
| EBITDA | 167,159 | 207,745 | 141,697 | 25,799 | 542,400 |
| EBITA | 127,513 | 182,210 | 115,213 | 17,150 | 442,086 |
| Capital expenditure | 26,130 | 34,050 | 49,102 | 10,218 | 119,500 |
| Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment | 41,437 | 31,172 | 58,159 | 11,459 | 142,227 |
| Result from associated companies | 0 | 20 | 0 | 0 | 20 |
| Shares in associated companies | 0 | 0 | 6,830 | 0 | 6,830 |

Information according to geographical segments

| (in TEUR) | Europe | North America | South America | China | Asia (without China) | Rest of the world and consolidation | Total |
|---------------------|-----------|---------------|---------------|---------|----------------------|-------------------------------------|-----------|
| External sales | 2,158,134 | 1,258,942 | 918,700 | 717,137 | 708,274 | 277,787 | 6,038,974 |
| Non-current assets | 1,005,123 | 137,119 | 22,547 | 59,435 | 30,266 | 364,232 | 1,618,722 |
| Capital expenditure | 90,163 | 9,418 | 4,921 | 11,325 | 3,543 | 130 | 119,500 |

External sales in Europe include an amount of 167,273 TEUR recognized in Austria. Non-current assets of 278,535 TEUR are located in Austria. Non-current assets consist of property, plant, and equipment, goodwill, intangible assets, non-current trade accounts receivable as well as other non-current receivables and other assets.

I) NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

10. Intangible assets

| (in TEUR) | Intangible assets related to customers and technologies | Other intangible assets | Total |
|--|--|----------------------------|-----------------|
| COST | | | |
| Balance as of December 31, 2015 | 310,489 | 77,331 | 387,820 |
| Additions | 0 | 5,756 | 5,756 |
| Disposals | -31,439 | -5,569 | -37,008 |
| Transfers | 0 | 43 | 43 |
| Currency translation adjustments | -786 | 808 | 22 |
| Changes in consolidation scope | 40,712 | 918 | 41,630 |
| Reclassification as held for sale | 0 | -14 | -14 |
| Balance as of December 31, 2016 | 318,976 | 79,273 | 398,249 |
| Additions | 0 | 6,199 | 6,199 |
| Disposals | -49,825 | -2,189 | -52,014 |
| Transfers | 0 | 546 | 546 |
| Currency translation adjustments | -4,534 | -1,106 | -5,640 |
| Changes in consolidation scope | 438 | 70 | 508 |
| Balance as of December 31, 2017 | 265,055 | 82,793 | 347,848 |
| ACCUMULATED DEPRECIATION | | | |
| Balance as of December 31, 2015 | -127,597 | -56,826 | -184,423 |
| Depreciation and amortization | -41,913 | -6,806 | -48,719 |
| Impairment losses | 0 | -345 | -345 |
| Disposals | 31,439 | 5,399 | 36,838 |
| Transfers | 0 | 28 | 28 |
| Currency translation adjustments | 299 | -679 | -380 |
| Reclassification as held for sale | 0 | 5 | 5 |
| Balance as of December 31, 2016 | -137,772 | -59,224 | -196,996 |
| Depreciation and amortization | -36,271 | -6,558 | -42,829 |
| Impairment losses | -2,029 | 0 | -2,029 |
| Disposals | 49,825 | 2,036 | 51,861 |
| Transfers | 0 | -377 | -377 |
| Currency translation adjustments | 2,373 | 850 | 3,223 |
| Balance as of December 31, 2017 | -123,874 | -63,273 | -187,147 |
| NET BOOK VALUE | | | |
| Balance as of December 31, 2016 | 181,204 | 20,049 | 201,253 |
| Balance as of December 31, 2017 | 141,181 | 19,520 | 160,701 |

Research and development costs

Expenditure for research and non-capitalized development costs was considered in the amount of 95,295 TEUR in 2017 and of 87,474 TEUR in 2016. Development costs were not capitalized in the 2017 financial year because the criteria for capitalization according to IAS 38 were not met.

Additionally, the Group conducts a part of its development work as customer-related and large-scale projects. The related expenses do not constitute as development costs to be capitalized as defined in the IFRS standards and are therefore recognized as project costs.

Collateral securities

There is no carrying amount of intangible assets whose title is restricted and pledged as security for liabilities (2016: 4,019 TEUR).

11. Goodwill

| (in TEUR) | 2017 | 2016 |
|----------------------------------|-----------------|-----------------|
| COST | | |
| Balance as of January 1 | 801,223 | 747,711 |
| Changes in consolidation scope | 0 | 47,002 |
| Remeasurement (IFRS 3) | -162 | 262 |
| Currency translation adjustments | -24,705 | 6,248 |
| Balance as of December 31 | 776,356 | 801,223 |
| ACCUMULATED IMPAIRMENT | | |
| Balance as of January 1 | -237,796 | -219,196 |
| Impairment loss | -6,428 | -14,379 |
| Currency translation adjustments | 15,505 | -4,221 |
| Balance as of December 31 | -228,719 | -237,796 |
| NET BOOK VALUE | | |
| Balance as of January 1 | 563,427 | 528,515 |
| Balance as of December 31 | 547,637 | 563,427 |

These are divided between the business areas as follows:

| (in TEUR) | 2017 | 2016 |
|--------------|----------------|----------------|
| Hydro | 108,910 | 115,072 |
| Pulp & Paper | 121,946 | 127,252 |
| Metals | 287,052 | 290,829 |
| Separation | 29,729 | 30,274 |
| | 547,637 | 563,427 |

Impairment loss

In the 2017 financial year an impairment of goodwill was recorded in the amount of 6,428 TEUR, because business did not develop as expected. The impairment relates to cash generating units for product lines and technologies, which were acquired in Germany and France. The impairment is assigned to the Hydro business area in the amount of 5,906 TEUR and to the Separation business area in the amount of 522 TEUR. The recoverable amounts of these cash generating units (CGU) correspond to their values in use. In 2016, impairment losses of 14,379 TEUR were recorded in the Metals (3.629 TEUR), Hydro (2.291 TEUR), and Separation (8.459 TEUR) business areas.

Cash generating units (CGU)

The following tables show the significant cash generating units and groups of cash generating units, respectively:

2017

| CGU or group of CGU | Year of purchase | Business area | Goodwill (in TEUR) | Discount rate before tax (in %) | Non-current growth rate (in %) | Description |
|---------------------|------------------|---------------|-----------------------|------------------------------------|-----------------------------------|--|
| Schuler | 2013 | ME | 215,061 | 9.32 | 2.57 | Presses, automation, dies, process know-how and services in the forming equipment field |
| VA TECH HYDRO* | 2006 | HY | 97,775 | 12.73 | 2.41 | Electromechanical systems and services for hydropower plants |
| ANDRITZ AG* | 1999 | All | 60,136 | 10.33 - 11.49 | 2.41 - 2.93 | Essentially equipment for pulp and paper, environment and process technologies, rolling mills and strip processing, and feed technology |
| Yadon | 2016 | ME | 27,961 | 9.60 | 4.67 | Presses in the forming equipment field |
| Ahlstrom | 2000 | PP | 20,208 | 10.43 | 2.88 | Chemical pulping equipment, pulping and screening systems of the recycled fiber production process, and equipment for the stock preparation of paper and board in the paper-making process |
| AWEBA | 2016 | ME | 16,012 | 8.60 | 2.57 | Tool construction in the forming equipment field |
| Iggesund | 2011 | PP | 11,673 | 8.56 | 2.88 | Knife systems for woodyard chippers |

* Group of cash generating units

2016

| CGU or group of CGU | Year of purchase | Business area | Goodwill (in TEUR) | Discount rate before tax (in %) | Non-current growth rate (in %) | Description |
|---------------------|------------------|---------------|-----------------------|------------------------------------|-----------------------------------|--|
| Schuler | 2013 | ME | 215,061 | 10.42 | 3.16 | Presses, automation, dies, process know-how and services in the forming equipment field |
| VA TECH HYDRO* | 2006 | HY | 97,775 | 12.96 | 3.13 | Electromechanical systems and services for hydropower plants |
| ANDRITZ AG* | 1999 | All | 60,136 | 10.93 - 14.39 | 3.13 - 4.84 | Essentially equipment for pulp and paper, environment and process technologies, rolling mills and strip processing, and feed technology |
| Yadon | 2016 | ME | 29,811 | 10.62 | 3.16 | Presses in the forming equipment field |
| Ahlstrom | 2000 | PP | 21,775 | 14.33 | 3.34 | Chemical pulping equipment, pulping and screening systems of the recycled fiber production process, and equipment for the stock preparation of paper and board in the paper-making process |
| AWEBA | 2016 | ME | 16,174 | 9.49 | 3.16 | Tool construction in the forming equipment field |
| Iggesund | 2011 | PP | 12,029 | 11.35 | 3.34 | Knife systems for woodyard chippers |

* Group of cash generating units

Sensitivity analysis

In order to validate the values in use determined as of December 31, 2017, other scenarios were conducted with respect to the calculation parameters described above. The management considered the following scenarios possible:

- A change of +/-0.5 percentage points in the discount rate
- A change of +/-10 percentage points in the planned cash flows
- A change of +/-0.5 percentage points in the planned growth rates

The change would have resulted in the following effects on goodwill impairment, provided all other parameters remained the same:

| (in TEUR) | | 2017 | 2016 |
|----------------------|-------|------|---------|
| Discount rate | +0.5% | 0 | -1,613 |
| | -0.5% | 523 | 532 |
| Planned cash flows | +10% | 523 | 2,444 |
| | -10% | 0 | -5,145 |
| Planned growth rates | +0.5% | 523 | 2,598 |
| | -0.5% | 0 | -13,446 |

The present sensitivity analysis may not be fully representative for the actual development, because it is considered unlikely that deviations from the assumptions made occur in isolation, due to the fact that some of the assumptions are related to others.

12. Property, plant, and equipment

| (in TEUR) | Land and buildings | Technical equipment and machinery | Other equipment, factory and office equipment | Assets under construction and advance payments | Total |
|--|-----------------------|---|---|---|------------------|
| COST | | | | | |
| Balance as of December 31, 2015 | 536,430 | 593,043 | 182,298 | 39,274 | 1,351,045 |
| Additions | 6,132 | 28,173 | 18,886 | 60,553 | 113,744 |
| Disposals | -2,263 | -25,995 | -18,907 | -348 | -47,513 |
| Transfers | 26,346 | 300 | 1,247 | -27,936 | -43 |
| Currency translation adjustments | 362 | 7,525 | 3,058 | -39 | 10,906 |
| Changes in consolidation scope | 25,350 | 48,123 | 3,345 | 721 | 77,539 |
| Reclassification as held for sale | -17,474 | -8,083 | -506 | -7 | -26,070 |
| Balance as of December 31, 2016 | 574,883 | 643,086 | 189,421 | 72,218 | 1,479,608 |
| Additions | 5,330 | 32,116 | 19,714 | 53,403 | 110,563 |
| Disposals | -7,092 | -23,682 | -11,473 | -1,196 | -43,443 |
| Transfers | 4,972 | 12,837 | 3,376 | -21,731 | -546 |
| Currency translation adjustments | -16,793 | -24,206 | -7,554 | -1,093 | -49,646 |
| Changes in consolidation scope | 1,928 | 4,047 | 224 | 95 | 6,294 |
| Reclassification as held for sale | -14,023 | 0 | 0 | 0 | -14,023 |
| Balance as of December 31, 2017 | 549,205 | 644,198 | 193,708 | 101,696 | 1,488,807 |
| ACCUMULATED DEPRECIATION | | | | | |
| Balance as of December 31, 2015 | -167,634 | -352,160 | -115,857 | 0 | -635,651 |
| Depreciation and amortization | -21,354 | -48,278 | -21,611 | 0 | -91,243 |
| Impairment losses | -4,149 | -784 | -2,713 | 0 | -7,646 |
| Reversal of impairment losses | 5,726 | 0 | 0 | 0 | 5,726 |
| Disposals | 0 | 20,331 | 17,034 | 0 | 37,365 |
| Transfers | -157 | -117 | 246 | 0 | -28 |
| Currency translation adjustments | -654 | -4,459 | -2,109 | 0 | -7,222 |
| Reclassification as held for sale | 5,008 | 674 | 97 | 0 | 5,779 |
| Balance as of December 31, 2016 | -183,214 | -384,793 | -124,913 | 0 | -692,920 |
| Depreciation and amortization | -17,801 | -48,135 | -20,783 | 0 | -86,719 |
| Impairment losses | -1,748 | -1,107 | -579 | -958 | -4,392 |
| Disposals | 2,095 | 17,536 | 10,733 | 958 | 31,322 |
| Transfers | 2,129 | -1,394 | -358 | 0 | 377 |
| Currency translation adjustments | 979 | 14,783 | 5,226 | 0 | 20,988 |
| Reclassification as held for sale | 4,804 | 0 | 0 | 0 | 4,804 |
| Balance as of December 31, 2017 | -192,756 | -403,110 | -130,674 | 0 | -726,540 |
| NET BOOK VALUE | | | | | |
| Balance as of December 31, 2016 | 391,669 | 258,293 | 64,508 | 72,218 | 786,688 |
| Balance as of December 31, 2017 | 356,449 | 241,088 | 63,034 | 101,696 | 762,267 |

Collateral securities

As of December 31, 2017, property, plant, and equipment amounting to 5,775 TEUR (as of December 31, 2016: 21,859 TEUR) have been pledged as collateral security.

Commitments

The commitments arising from contracts for expenditure on property, plant, and equipment are only within the ordinary scope of business. As of December 31, 2017, these commitments amounted to 16,663 TEUR (as of December 31, 2016: 26,631 TEUR).

Borrowing costs

No borrowing costs relating to qualifying assets were capitalized in the financial years 2017 and 2016 as the amounts were immaterial.

Government grants

In the 2017 financial year, government grants amounting to 630 TEUR (2016: 842 TEUR) were paid for capital expenditure on buildings, plant, and machinery and offset against costs. Other grants in the amount of 22,749 TEUR (2016: 18,447 TEUR) were recognized directly as other operating income.

Finance leases

Details regarding finance lease are shown in note "M) b) Leases".

13. Associated companies

| Company | Main office | Business area | 2017 | 2016 |
|---|----------------|---------------|--------|--------|
| Beijing Andritz Sintai Engineering Technology Co., Ltd. | Beijing, China | ME | 40.00% | 40.00% |
| Enmas ANDRITZ Pvt. Ltd. | Chennai, India | PP | 40.00% | 40.00% |
| Viafin Brazil Oy | Teuva, Finland | PP | 40.00% | 40.00% |
| A&V Montagens INDUSTRIAIS Ltda. | Lapa, Brazil | PP | 40.00% | 40.00% |

The summarized financial information for associated companies is shown in an aggregated form because the individual companies can be considered of minor importance. The following overview shows the items of the statement of financial position and the income statement for companies accounted for using the equity method:

| (in TEUR) | 2017 | 2016 |
|--|--------|--------|
| DISCLOSURES OF FINANCIAL POSITION | | |
| Assets | 15,018 | 21,047 |
| Liabilities | 58 | 5,092 |
| DISCLOSURES OF THE INCOME STATEMENT | | |
| Sales | 3,181 | 1,332 |
| Result for the year | 46 | -121 |

ANDRITZ has the following share in the income of associated companies:

| (in TEUR) | 2017 | 2016 |
|--|--------------|--------------|
| Share of net income | 18 | -48 |
| Share of other comprehensive income | -426 | 28 |
| Share of total comprehensive income | -408 | -20 |
| Aggregate carrying amount of the shares in associates | 6,407 | 6,830 |

The result from associated companies amounted to 16 TEUR (2016: 20 TEUR) in the consolidated income statement. Non-recognized losses of associated companies amount to 0 TEUR (2016: -68 TEUR). The cumulative unrecognized losses amount to -996 TEUR (2016: -996 TEUR). They belong entirely to Enmas ANDRITZ Pvt. Ltd.

14. Investments and other financial assets

| (in TEUR) | 2017 | 2016 |
|--------------------------------------|----------------|----------------|
| Schuldscheindarlehen | 80,000 | 20,000 |
| Investment securities | 70,830 | 61,571 |
| Shares in non-consolidated companies | 11,892 | 11,052 |
| Other shares | 604 | 619 |
| Others | 7,145 | 7,410 |
| | 170,471 | 100,652 |

In the 2017 financial year, an impairment for shares in non-consolidated companies was recognized in the amount of 838 TEUR (2016: 1,550 TEUR). The shares in non-consolidated companies neither included restricted right of use in 2017, nor in 2016.

15. Trade accounts receivable

| (in TEUR) | 2017 | 2016 |
|---|----------------|----------------|
| Trade accounts receivable - current | 891,980 | 840,138 |
| Trade accounts receivable - non-current | 19,370 | 14,431 |
| | 911,350 | 854,569 |
| thereof neither past due nor impaired | 604,345 | 547,059 |
| thereof past due but not impaired | 298,214 | 296,443 |
| thereof impaired | 52,176 | 59,706 |
| Valuation allowance | -43,385 | -48,639 |

The valuation allowance for trade accounts receivable changed as follows:

| (in TEUR) | 2017 | 2016 |
|-----------------------------------|----------------|----------------|
| Balance as of January 1 | -48,639 | -52,717 |
| Charged to expenses | -15,315 | -14,400 |
| Usage | 6,021 | 7,114 |
| Release | 15,331 | 11,238 |
| Currency translation adjustments | -783 | 124 |
| Reclassification as held for sale | 0 | 2 |
| Balance as of December 31 | -43,385 | -48,639 |

On the balance sheet date, the Group has the following accounts receivable, which are past due but not impaired:

| (in TEUR) | 2017 | 2016 |
|-----------------------------|----------------|----------------|
| Up to 60 days past due | 155,742 | 183,586 |
| 61 to 120 days past due | 38,548 | 39,233 |
| More than 120 days past due | 103,924 | 73,624 |
| | 298,214 | 296,443 |

Included in the Group's trade receivables balance are debts with a carrying value of 298,214 TEUR (2016: 296,443 TEUR) which are past due at the reporting date, but for which the Group has not recognized any valuation allowance as there has not been a significant change in creditworthiness and the amounts are still considered recoverable.

The disposal limitations arising due to the granting of collateral securities amount to 13,421 TEUR (2016: 11,398 TEUR). The parties receiving collateral security have no rights allowing them to sell or repledge the collateral securities provided.

16. Other receivables and assets

| (in TEUR) | 2017 | 2016 |
|---|----------------|----------------|
| Receivables from value-added tax and from other taxes and changes | 134,583 | 139,982 |
| Derivatives | 77,204 | 106,923 |
| Bills of exchange receivable | 44,468 | 27,331 |
| Prepayments and deferred charges | 27,480 | 26,520 |
| Schuldscheindarlehen | 20,000 | 80,000 |
| Loans from associated and not-consolidated companies | 13,336 | 12,866 |
| Receivables from non-current taxes | 1,664 | 1,251 |
| Miscellaneous | 63,792 | 62,451 |
| | 382,527 | 457,324 |
| thereof other current receivables | 341,183 | 404,402 |
| thereof other non-current receivables | 41,344 | 52,922 |

Miscellaneous other receivables and assets include, but are not limited to, claims against insurance companies, deposits and debit creditors. The carrying amount of other receivables pledged as collateral for liabilities amounts to 164 TEUR (2016: 0 TEUR).

The valuation allowances on other receivables changed as follows:

| (in TEUR) | 2017 | 2016 |
|----------------------------------|---------------|---------------|
| Balance as of January 1 | -7,592 | -4,827 |
| Charged to expenses | -48 | -3,322 |
| Usage | 78 | 366 |
| Release | 3,564 | 179 |
| Currency translation adjustments | -3 | 12 |
| Balance as of December 31 | -4,001 | -7,592 |

17. Inventories

| (in TEUR) | 2017 | 2016 |
|------------------------|----------------|----------------|
| Materials and supplies | 255,243 | 262,775 |
| Work in progress | 401,545 | 374,437 |
| Finished goods | 104,225 | 99,677 |
| | 761,013 | 736,889 |

The valuation allowances on inventories were recognized in the income statement in the amount of -444 TEUR (2016: -7,745 TEUR). In the financial year, no substantial reversal of impairment was captured as a reduction of cost of materials. The book value of inventories recognized at net realizable value amounts to 200,529 TEUR (2016: 199,725 TEUR). The disposal limitations arising due to the granting of collateral securities amount to 20,860 TEUR (2016: 19,549 TEUR).

18. Advance payments made

The advance payments made and presented in the statement of financial position relate to orders for ongoing contracts.

19. Construction contracts

| (in TEUR) | 2017 | 2016 |
|---|-----------|------------|
| Contract revenue recognized as projects under construction | 3,731,259 | 4,008,427 |
| Contract costs incurred and recognized profits (less recognized losses) to date | 9,206,368 | 10,555,348 |
| Advance payments received and progress billings | 9,659,389 | 10,947,004 |
| Amount of retentions | 30,725 | 26,563 |

The net amounts of the construction contracts comprise the following:

| (in TEUR) | 2017 | 2016 |
|---|-----------------|-----------------|
| Contract costs incurred and recognized profits (less recognized losses) to date | 9,206,368 | 10,555,348 |
| Less advance payments received and progress billings | -9,659,389 | -10,947,004 |
| | -453,021 | -391,656 |
| RECOGNIZED IN THE FINANCIAL STATEMENTS AS RECEIVABLES AND PAYABLES: | | |
| Cost and earnings of projects under construction in excess of billings | 599,550 | 726,307 |
| Billings in excess of cost and earnings of projects under construction | -1,052,571 | -1,117,963 |
| | -453,021 | -391,656 |

There are no disposal limitations arising due to the granting of collateral securities (2016: 0 TEUR).

20. Investments

| (in TEUR) | 2017 | 2016 |
|---------------|----------------|----------------|
| Time deposits | 460,860 | 0 |
| Funds | 56,763 | 63,313 |
| Bank bonds | 48,157 | 47,483 |
| | 565,780 | 110,796 |

21. Cash and cash equivalents

| (in TEUR) | 2017 | 2016 |
|---------------|------------------|------------------|
| Cash in banks | 631,792 | 575,946 |
| Time deposits | 439,686 | 720,390 |
| | 1,071,478 | 1,296,336 |

The cash and cash equivalents in the consolidated statement of financial position correspond to cash and cash equivalents in the consolidated statement of cash flows.

In various countries exchange restrictions and other legal restrictions exist. As a result, the availability of these funds of cash and cash equivalents to ANDRITZ AG as the parent company might be restricted.

22. Assets held for sale

As of December 31, 2017

In the financial year 2017, the sale of a company in Shanghai, China, has been initiated within the Metals business area. It is expected that the sale will be completed in the first half of 2018.

Classification to assets held for sale

As of balance sheet date December 31, 2017, the requirements of IFRS 5 as classification as held for sale were met: Assets held for sale are assets that are available for immediate sale, the sale is highly probable, and the sale is expected to be completed within one year from the classification as held for sale. Assets held for sale contain a disposal group that comprises a subsidiary of the Metals business area.

Measurement

Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset was measured in accordance with IFRS 5, resulting in a write-off in the amount of 1,304 TEUR. After the classification as held for sale, the assets are measured at the lower amount of carrying amount and fair value less costs to sell.

As of December 31, 2017, the individual assets and liabilities reclassified as held for sale are as follows:

| (in TEUR) | 2017 |
|---|---------------|
| Property, plant, and equipment | 9,219 |
| Other receivables and assets | 50 |
| Cash and cash equivalents | 10,246 |
| ASSETS HELD FOR SALE | 19,515 |
| Deferred tax liabilities | 2,475 |
| Provisions | 129 |
| Other liabilities | 7 |
| LIABILITIES RELATING TO ASSETS HELD FOR SALE | 2,611 |

As of December 31, 2016

In the financial year 2016, the sale of a technology center in the North Chinese city of Tianjin had been initiated with the purchase contract of February 2017 within the Metals business area. The final execution of the purchase agreement (Closing) was in April 2017. The sale resulted in a gain of 17,935 TEUR, which was recognized as other operating income.

Furthermore, the sale of large parts of an operating site in Germany was agreed within the Metals business area. The sale took place in May 2017. The sale resulted in a gain of 4,864 TEUR, which was recognized as other operating income.

23. Equity

| (in TEUR) | 2017 | 2016 |
|-----------------------------------|------------------|------------------|
| Share capital | 104,000 | 104,000 |
| Capital reserves | 36,476 | 36,476 |
| Other retained earnings | 1,387,743 | 1,287,232 |
| IAS 39 reserve | 28,252 | 47,685 |
| Actuarial gains/losses | -75,980 | -82,133 |
| Currency translation adjustments | -52,397 | 14,416 |
| Treasury shares | -127,284 | -80,173 |
| Total | 1,300,810 | 1,327,503 |
| Non-controlling interests | 24,600 | 16,728 |
| TOTAL SHAREHOLDERS' EQUITY | 1,325,410 | 1,344,231 |

IAS 39 reserve

| (in TEUR) | from hedging activities (cash flow hedge) | from securities | Total |
|--|---|-----------------|---------------|
| Balance as of December 31, 2015 | -3,545 | 52,477 | 48,932 |
| Gains and losses from changes in fair values | 2,588 | -4,439 | -1,851 |
| Related deferred taxes | -864 | 657 | -207 |
| Transfers to income statement | 1,158 | 0 | 1,158 |
| Related deferred taxes | -347 | 0 | -347 |
| Balance as of December 31, 2016 | -1,010 | 48,695 | 47,685 |
| Gains and losses from changes in fair values | 358 | -17,719 | -17,361 |
| Related deferred taxes | -126 | 3,638 | 3,512 |
| Transfers to income statement | 715 | -6,362 | -5,647 |
| Related deferred taxes | 63 | 0 | 63 |
| Balance as of December 31, 2017 | 0 | 28,252 | 28,252 |

Dividends

For 2017, a dividend of 1.55 EUR per outstanding share is proposed by the Executive Board. The dividend of 153,090 TEUR for 2016, which is equal to 1.50 EUR per share, was proposed by the Executive Board and approved by the 110th Annual General Meeting on March 28, 2017. The dividend was paid to the shareholders on April 3, 2017.

Treasury shares

Based on authorizations of the Annual General Meeting and with approval from the Supervisory Board, the Executive Board adopted share buy-back and share resale programs for buying up to 10,400,000 no-par value shares between April 14, 2016 and September 30, 2018. Furthermore, a share buy-back program which enables the acquisition of 2,000,000 no-par value shares between November 11, 2016 and September 30, 2018 was concluded. In 2017, 1,030,000 shares were bought back at an average price of 46.90 EUR per share. No shares were sold to eligible executives under the management share option plan. 28,914 no-par value shares were transferred to employees of ANDRITZ in the course of employee participation programs. As of December 31, 2017, the company held 2,940,870 treasury shares at a market value of 138,486 TEUR. It is planned to use these shares for the management share option plan and the employee participation programs.

The following table shows the changes in the number of shares outstanding:

| | Shares outstanding | Treasury shares | Total |
|---|--------------------|------------------|--------------------|
| Balance as of December 31, 2015 | 102,324,301 | 1,675,699 | 104,000,000 |
| Purchase of treasury shares | -287,000 | 287,000 | 0 |
| Used to cover share options and employee participation programs | 22,915 | -22,915 | 0 |
| Balance as of December 31, 2016 | 102,060,216 | 1,939,784 | 104,000,000 |
| Purchase of treasury shares | -1,030,000 | 1,030,000 | 0 |
| Used to cover share options and employee participation programs | 28,914 | -28,914 | 0 |
| Balance as of December 31, 2017 | 101,059,130 | 2,940,870 | 104,000,000 |

Management share option programs

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

1,012,500 options were granted in 2014. The fair value of the options at the time of granting amounted to 8,159 TEUR. Due to the non-achievement of the performance conditions for the exercise of the options the fair value of the options was entirely released to profit or loss in 2017. Hence, an effect on earnings was caused in

the amount of 7,505 TEUR. Furthermore, 926,500 options were granted in 2016. The fair value of the options at the time of granting amounts to 6,286 TEUR; thereof 2,095 TEUR were recognized as proportionate expense in 2017.

Movements in options under the share option plans for the 2017 and 2016 financial years were as follows:

| | 2017 | | 2016 | |
|----------------------------------|-------------------|--|-------------------|--|
| | Number of options | Average exercise price per option (in EUR) | Number of options | Average exercise price per option (in EUR) |
| Balance as of January 1 | 1,894,000 | 46.07 | 982,500 | 44.42 |
| Options granted | 0 | | 926,500 | 47.80 |
| Options exercised | 0 | | 0 | |
| Options expired and forfeited | -1,019,500 | 44.59 | -15,000 | 44.42 |
| Balance as of December 31 | 874,500 | 47.80 | 1,894,000 | 46.07 |
| Exercisable at year-end | 0 | | 0 | |

Non-controlling interests

The following overview discloses information on ANDRITZ subsidiaries having non-controlling interests:

| (in TEUR) | Main office | Proportion of ownership interests and voting rights held by non-controlling interests | | Net income allocated to non-controlling interests | | Non-controlling interests | |
|---------------------------------------|-------------------------|---|--------|---|------------|---------------------------|---------------|
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | | | | | | | |
| PT. ANDRITZ HYDRO | Jakarta, Indonesia | 49.00% | 49.00% | 567 | 409 | 1,307 | 1,263 |
| ANDRITZ HYDRO Hammerfest AS | Hammerfest, Norway | 0.00% | 40.12% | 0 | 109 | 0 | 8,516 |
| ANDRITZ HYDRO Hammerfest (UK) Limited | Glasgow, United Kingdom | 0.00% | 40.12% | 0 | -2,651 | 0 | -14,865 |
| Schuler Aktiengesellschaft (subgroup) | Göppingen, Germany | 3.38% | 3.38% | 2,089 | 2,303 | 23,293 | 21,814 |
| BAA Cyber Innovations Ltd. | Tel Aviv, Israel | 49.99% | 0.00% | 0 | 0 | 0 | 0 |
| Total | | | | 2,656 | 170 | 24,600 | 16,728 |

The share attributable to non-controlling interests is shown separately in equity of the consolidated statement of financial position, in the consolidated income statement, and in the consolidated statement of other comprehensive income. The purchase method was applied for all companies acquired. Companies purchased or sold during the year were included in the consolidated financial statements as from the date of their purchase or up to the date of their sale.

During the business year, ANDRITZ acquired a stake of 40.12% in ANDRITZ HYDRO Hammerfest AS and thus, the remaining non-controlling interests in ANDRITZ HYDRO Hammerfest AS and in ANDRITZ HYDRO Hammerfest (UK) Limited. The ANDRITZ GROUP recognized this change in interest rate as an equity transaction.

The summarized financial information on subsidiaries with significant non-controlling interests is as follows:

2017

| (in TEUR) | Schuler Aktien- gesellschaft (subgroup) |
|--|---|
| Current assets | 852,941 |
| Non-current assets | 544,693 |
| Current liabilities | -521,599 |
| Non-current liabilities | -310,580 |
| Non-controlling interests of subgroup | -7,107 |
| Net assets | 558,348 |
| Proportion of ownership interests and voting rights held by non-controlling interests | 3.38% |
| Net book value of non-controlling interests | 18,872 |
| Sales | 1,233,104 |
| Result for the year | 72,078 |
| Other comprehensive income | -15,342 |
| Total comprehensive income | 56,736 |
| Thereof attributable to: | |
| Shareholders of the parent | 54,818 |
| Non-controlling shareholders | 1,918 |
| Dividends paid to non-controlling interest holders | -4 |
| Cash flow from operating activities | 12,730 |
| Cash flow from investing activities | 18,315 |
| Cash flow from financing activities | -89,280 |
| Total | -58,235 |

2016

| (in TEUR) | ANDRITZ HYDRO Hammerfest AS | ANDRITZ HYDRO Hammerfest (UK) Limited | Schuler Aktien- gesellschaft (subgroup) |
|--|--------------------------------|---|---|
| Current assets | 7,247 | 2,767 | 883,975 |
| Non-current assets | 30,172 | 5 | 553,391 |
| Current liabilities | -15,013 | -11,295 | -539,701 |
| Non-current liabilities | 0 | -58 | -437,282 |
| Non-controlling interests of subgroup | | | -6,220 |
| Net assets | 22,406 | -8,581 | 454,163 |
| Proportion of ownership interests and voting rights held by non-controlling interests | 40.12% | 40.12% | 3.38% |
| Net book value of non-controlling interests | 8,989 | -3,443 | 15,351 |
| Sales | 0 | 6,620 | 1,174,222 |
| Result for the year | 273 | -5,569 | 64,416 |
| Other comprehensive income | 1,197 | -1,321 | -5,434 |
| Total comprehensive income | 1,470 | -6,890 | 58,982 |
| Thereof attributable to: | | | |
| Shareholders of the parent | 880 | -4,126 | 56,988 |
| Non-controlling shareholders | 590 | -2,764 | 1,994 |
| Dividends paid to non-controlling interest holders | 0 | 0 | -111 |
| Cash flow from operating activities | -880 | -1,430 | 14,306 |
| Cash flow from investing activities | 0 | 0 | -130,340 |
| Cash flow from financing activities | 0 | -2 | 23,276 |
| Total | -880 | -1,432 | -92,758 |

Additional capital disclosures

ANDRITZ is committed to maintain a strong financial profile, characterized by a conservative capital structure that provides financial flexibility. As of December 31, 2017 equity and total assets amounted to the following:

| (in TEUR) | 2017 | 2016 |
|----------------------------|-----------|-----------|
| Total shareholders' equity | 1,325,410 | 1,344,231 |
| Total assets | 6,265,348 | 6,198,588 |
| Equity ratio | 21.2% | 21.7% |

ANDRITZ is not subject to any statutory capital requirements. Commitments exist to sell shares in connection with established share-based payment plans. In recent years, commitments from share-based payments have primarily been satisfied through buy-back of the company's shares.

The goal in capital management is to ensure that entities in the Group will be able to continue as going concern while improving the return to shareholders through the optimization of the debt and equity balance. In the past bonds and in 2017 a Schuldscheindarlehen were issued to safeguard the financial stability and to provide the basis for further growth of the ANDRITZ GROUP. The capital structure of the Group consists of debt, cash, and equity attributable to shareholders of the parent, comprising share capital, capital reserves, and retained earnings.

The capital structure is reviewed on an ongoing basis. The cost of capital and the risks associated with each class of capital are considered apart from this review. Based on this, the Group is committed to optimize its overall capital structure through the payment of dividends, issue of new shares, 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 2016.

24. Provisions

Non-current provisions

| (in TEUR) | Pensions | Severance payments | Anniversary bonuses | Order-related | Others | Total |
|--|----------------|--------------------|---------------------|----------------|---------------|----------------|
| Balance as of January 1, 2017 | 250,993 | 100,009 | 26,715 | 183,691 | 25,126 | 586,534 |
| Additions | 2,288 | 7,566 | 260 | 53,021 | 44,906 | 108,041 |
| Unwinding of discount effect | 3,379 | 953 | -133 | 0 | 0 | 4,199 |
| Usage | -8,523 | -7,886 | -723 | -4,095 | -388 | -21,615 |
| Release | -5,184 | -332 | -217 | -39,008 | -6,832 | -51,573 |
| Reclassification | 0 | 0 | -278 | -31,355 | -87 | -31,720 |
| Currency translation adjustments | -2,600 | -75 | -127 | -4,775 | -4,231 | -11,808 |
| Balance as of December 31, 2017 | 240,353 | 100,235 | 25,497 | 157,479 | 58,494 | 582,058 |

Current provisions

| (in TEUR) | Order-related | Others | Total |
|--|----------------|----------------|----------------|
| Balance as of January 1, 2017 | 432,147 | 100,170 | 532,317 |
| Additions | 168,959 | 24,126 | 193,085 |
| Unwinding of discount effect | 0 | -28 | -28 |
| Usage | -89,668 | -39,641 | -129,309 |
| Release | -105,594 | -23,808 | -129,402 |
| Reclassification | 31,355 | 365 | 31,720 |
| Currency translation adjustments | -11,130 | -3,495 | -14,625 |
| Changes in consolidation scope | 223 | 227 | 450 |
| Reclassification as held for sale | 0 | -129 | -129 |
| Balance as of December 31, 2017 | 426,292 | 57,787 | 484,079 |

Order-related provisions include provisions for warranties, impending losses, and other order-related risks. The warranty provisions recorded are based on past experience and individual assessments; they represent the legal and contractual warranty obligations as well as voluntary commitments to customers. Order-related imminent losses are provided for customer projects not yet completed. ANDRITZ expects the order-related non-current provisions generally to result in cash outflows during the next three years. Order-related current provisions are expected to result in cash outflows within the next fiscal year.

The other non-current and other current provisions contain restructurings and adjustments of personnel costs in the amount of 28,942 TEUR (2016: 46,802 TEUR). In the prior year they related primarily to the financial provisions to optimize the value chain at the Schuler subgroup.

25. Employee benefits

The post-employment benefits are divided into defined contribution and defined benefit plans.

Pensions

The pension costs comprise:

| (in TEUR) | 2017 | 2016 |
|---|---------------|---------------|
| EXPENSES FROM DEFINED BENEFIT PLANS | | |
| Current service cost | 9,645 | 10,037 |
| Past service cost | 1,723 | -6,794 |
| Effects of plan curtailments and settlements | -238 | 25 |
| EXPENSES FROM DEFINED CONTRIBUTION PLANS | | |
| Payments to defined contribution plans | 38,396 | 35,980 |
| | 49,526 | 39,248 |

According to IAS 19, the defined benefit plans for pensions are itemized according to the different geographic locations. The pension plans largely relate to Germany, Austria, and Switzerland. The "Other" category primarily relates to Canada and USA.

Basic actuarial assumptions for calculation of pension obligations as of December 31, 2017 and 2016 are as follows:

2017

| | | Germany and Austria | Switzerland | Others |
|--|----------|------------------------|--------------|--------------|
| Discount rate | in % | 1.06 - 2.17 | 0.54 - 0.82 | 0.37 - 7.50 |
| Wage and salary increases | in % | 0.00 - 2.50 | 0.50 - 1.00 | 0.00 - 6.33 |
| Retirement benefit increases | in % | 2.00 | 0.00 | 0.00 - 2.00 |
| Average term of the benefit obligation | in years | 7.72 - 17.62 | 9.30 - 19.10 | 8.57 - 19.60 |

2016

| | | Germany and Austria | Switzerland | Others |
|--|----------|------------------------|---------------|--------------|
| Discount rate | in % | 1.20 - 1.87 | 0.60 - 0.93 | 0.32 - 6.75 |
| Wage and salary increases | in % | 0.00 - 2.00 | 0.50 - 1.00 | 0.00 - 5.83 |
| Retirement benefit increases | in % | 1.75 | 0.00 | 0.00 - 1.75 |
| Average term of the benefit obligation | in years | 8.20 - 18.92 | 14.71 - 19.85 | 8.72 - 19.09 |

The following mortality tables were primarily used:

| | 2017 | 2016 |
|-------------|------------------------------|------------------------------|
| Austria | AVÖ 2008-P Pagler & Pagler | AVÖ 2008-P Pagler & Pagler |
| Germany | Heubeck "Richttafeln 2005 G" | Heubeck "Richttafeln 2005 G" |
| Switzerland | BVG 2015 Generationentafel | BVG 2015 Generationentafel |

The following tables show the changes in pension benefit obligation from January 1 to December 31:

2017

| (in TEUR) | Germany and Austria | Switzerland | Others | Total |
|---|------------------------|----------------|---------------|----------------|
| Defined benefit obligation as of January 1 | 258,406 | 220,988 | 81,413 | 560,807 |
| Current service cost | 4,168 | 5,094 | 383 | 9,645 |
| Past service cost | 0 | 1,663 | 60 | 1,723 |
| Effects of plan curtailments and settlements | -448 | 129 | 0 | -319 |
| Interest expenses | 3,384 | 1,457 | 2,591 | 7,432 |
| Actuarial gains (-) and losses (+) from change in demographic assumptions | 0 | 1,240 | 34 | 1,274 |
| Actuarial gains (-) and losses (+) from change in financial assumptions | -3,135 | 2,595 | 2,737 | 2,197 |
| Actuarial gains (-) and losses (+) from change in experience adjustments | -386 | -2,648 | -1,912 | -4,946 |
| Benefits paid | -10,410 | -1,678 | -4,208 | -16,296 |
| Contributions by the plan participants | 3,454 | 2,936 | 0 | 6,390 |
| Currency translation adjustments | 0 | -18,079 | -4,979 | -23,058 |
| Other changes | -485 | 0 | 485 | 0 |
| Defined benefit obligation as of December 31 | 254,548 | 213,697 | 76,604 | 544,849 |
| Fair value of plan assets | -46,149 | -197,843 | -61,495 | -305,487 |
| Reduction of assets | 0 | 0 | 991 | 991 |
| Defined benefit liability as of December 31 | 208,399 | 15,854 | 16,100 | 240,353 |

2016

| (in TEUR) | Germany and Austria | Switzerland | Others | Total |
|---|------------------------|----------------|---------------|----------------|
| Defined benefit obligation as of January 1 | 247,510 | 217,348 | 76,098 | 540,956 |
| Current service cost | 3,098 | 6,500 | 439 | 10,037 |
| Past service cost | 0 | -6,770 | -24 | -6,794 |
| Effects of plan curtailments and settlements | -47 | 0 | 72 | 25 |
| Interest expenses | 5,316 | 1,733 | 2,743 | 9,792 |
| Actuarial gains (-) and losses (+) from change in demographic assumptions | 0 | 1,909 | -16 | 1,893 |
| Actuarial gains (-) and losses (+) from change in financial assumptions | 18,616 | 411 | 1,930 | 20,957 |
| Actuarial gains (-) and losses (+) from change in experience adjustments | -4,409 | 1,595 | -1,064 | -3,878 |
| Benefits paid | -10,101 | -11,822 | -3,222 | -25,145 |
| Contributions by the plan participants | 3,344 | 3,337 | 0 | 6,681 |
| Currency translation adjustments | 0 | 1,939 | 3,446 | 5,385 |
| Changes in consolidation scope | 898 | 0 | 0 | 898 |
| Other changes | -5,819 | 4,808 | 1,011 | 0 |
| Defined benefit obligation as of December 31 | 258,406 | 220,988 | 81,413 | 560,807 |
| Fair value of plan assets | -47,078 | -198,585 | -64,264 | -309,927 |
| Reduction of assets | 113 | 0 | 0 | 113 |
| Defined benefit liability as of December 31 | 211,441 | 22,403 | 17,149 | 250,993 |

Out of the total pension benefit obligation in the amount of 544,849 TEUR (2016: 560,807 TEUR), 328,548 TEUR (2016: 314,073 TEUR) are covered entirely or partly by investments in funds.

The following tables reconcile the fair value of the plan assets:

2017

| (in TEUR) | Germany and Austria | Switzerland | Others | Total |
|--|------------------------|----------------|---------------|----------------|
| Fair value of plan assets as of January 1 | 47,078 | 198,585 | 64,264 | 309,927 |
| Interest income | 691 | 1,301 | 2,061 | 4,053 |
| Return on plan assets (excl. interest income) | 451 | 9,379 | 1,680 | 11,510 |
| Effects of plan curtailments and settlements | -193 | 112 | 0 | -81 |
| Benefits paid | -2,025 | -1,744 | -4,004 | -7,773 |
| Contributions by the employer | 147 | 3,916 | 1,310 | 5,373 |
| Contributions by the plan participants | 0 | 2,936 | 0 | 2,936 |
| Currency translation adjustments | 0 | -16,642 | -3,816 | -20,458 |
| Fair value of plan assets as of December 31 | 46,149 | 197,843 | 61,495 | 305,487 |

2016

| (in TEUR) | Germany and Austria | Switzerland | Others | Total |
|--|------------------------|----------------|---------------|----------------|
| Fair value of plan assets as of January 1 | 48,388 | 188,351 | 60,705 | 297,444 |
| Interest income | 1,079 | 1,509 | 2,216 | 4,804 |
| Return on plan assets (excl. interest income) | -36 | 7,439 | 761 | 8,164 |
| Benefits paid | -1,782 | -11,826 | -3,070 | -16,678 |
| Contributions by the employer | 2,368 | 4,663 | 842 | 7,873 |
| Contributions by the plan participants | 88 | 3,337 | 0 | 3,425 |
| Currency translation adjustments | 0 | 1,791 | 2,810 | 4,601 |
| Changes in consolidation scope | 294 | 0 | 0 | 294 |
| Other changes | -3,321 | 3,321 | 0 | 0 |
| Fair value of plan assets as of December 31 | 47,078 | 198,585 | 64,264 | 309,927 |

The plan assets are invested as follows:

2017

| (in TEUR) | Germany and Austria | Switzerland | Others | Total |
|---------------------------------------|------------------------|----------------|---------------|----------------|
| Equity instruments | 10,682 | 40,183 | 21,499 | 72,364 |
| thereof listed on an active market | 6,867 | 40,183 | 21,499 | 68,549 |
| Debt instruments | 9,658 | 61,081 | 31,633 | 102,372 |
| thereof listed on an active market | 9,569 | 61,081 | 31,633 | 102,283 |
| Property, plant, and equipment | 842 | 44,947 | 0 | 45,789 |
| thereof listed on an active market | 135 | 3,658 | 0 | 3,793 |
| Other assets | 24,967 | 51,632 | 8,363 | 84,962 |
| thereof listed on an active market | 23,774 | 24,794 | 1,857 | 50,425 |
| | 46,149 | 197,843 | 61,495 | 305,487 |

2016

| (in TEUR) | Germany and Austria | Switzerland | Others | Total |
|---------------------------------------|------------------------|----------------|---------------|----------------|
| Equity instruments | 10,308 | 40,359 | 19,226 | 69,893 |
| thereof listed on an active market | 6,347 | 40,359 | 19,225 | 65,931 |
| Debt instruments | 8,254 | 66,049 | 31,702 | 106,005 |
| thereof listed on an active market | 7,734 | 66,049 | 31,702 | 105,485 |
| Property, plant, and equipment | 716 | 42,983 | 0 | 43,699 |
| thereof listed on an active market | 0 | 3,473 | 0 | 3,473 |
| Other assets | 27,800 | 49,194 | 13,336 | 90,330 |
| thereof listed on an active market | 25,488 | 26,398 | 5,960 | 57,846 |
| | 47,078 | 198,585 | 64,264 | 309,927 |

In 2017, the actual investment result from plan assets amounted to 4.41% (2016: 4.17%).

Payments to the pension funds for defined benefit plans are expected in the amount of 13,627 TEUR for 2018.

As of December 31, 2017, there are no extraordinary risks specific to the company or to the plan, or any substantial risk concentrations.

The discretionary assessments and assumptions concerning future developments for the valuation of provisions for pensions are based on relevant actuarial assumptions. A change of +/- 0.5 percentage points in the discount factor, +/- 0.5 percentage points in the salary increase, +/- 0.5 percentage points in pension benefits, and +/- 1 year in life expectancy would have the following effects on the present value of the pension obligation if all other parameters remained unchanged:

2017

| (in TEUR) | | Germany and Austria | Switzerland | Others | Total |
|------------------------------|---------|------------------------|-------------|--------|---------|
| Discount rate | +0.5% | -15,513 | -14,752 | -4,609 | -34,874 |
| | -0.5% | 19,260 | 16,852 | 5,033 | 41,145 |
| Wage and salary increases | +0.5% | 752 | 1,424 | 325 | 2,501 |
| | -0.5% | -695 | -1,438 | -312 | -2,445 |
| Retirement benefit increases | +0.5% | 11,501 | 7,346 | 623 | 19,470 |
| | -0.5% | -8,845 | -772 | -323 | -9,940 |
| Life expectancy | +1 year | 9,620 | 5,689 | 1,911 | 17,220 |
| | -1 year | -9,550 | -5,794 | -1,921 | -17,265 |

2016

| (in TEUR) | | Germany and Austria | Switzerland | Others | Total |
|------------------------------|---------|------------------------|-------------|--------|---------|
| Discount rate | +0.5% | -18,079 | -15,541 | -4,706 | -38,326 |
| | -0.5% | 22,413 | 17,768 | 5,550 | 45,731 |
| Wage and salary increases | +0.5% | 1,007 | 1,659 | 456 | 3,122 |
| | -0.5% | -927 | -1,627 | -424 | -2,978 |
| Retirement benefit increases | +0.5% | 13,743 | 13,284 | 743 | 27,770 |
| | -0.5% | -10,719 | -1,273 | -388 | -12,380 |
| Life expectancy | +1 year | 10,920 | 5,878 | 1,955 | 18,753 |
| | -1 year | -10,839 | -6,036 | -1,970 | -18,845 |

The sensitivity analysis presented above may not be fully representative regarding the actual changes in the defined benefit obligation, as it is unlikely that the change in assumptions would occur in isolation of one another due to the fact that some of the assumptions may correlate.

Severances

The expenses for severance payments consist of:

| (in TEUR) | 2017 | 2016 |
|---|--------------|--------------|
| EXPENSES FROM DEFINED BENEFIT PLANS | | |
| Current service cost | 3,077 | 2,922 |
| EXPENSES FROM DEFINED CONTRIBUTION PLANS | | |
| Payments to defined contribution plans | 2,372 | 2,728 |
| | 5,449 | 5,650 |

In the 2017 financial year, contributions to the employees' severance funds in Austria of 1,813 TEUR (2016: 1,785 TEUR) are included in the severance expenses.

A breakdown of severance obligations to the various geographical locations has been omitted because these obligations relate to more than 90% to Austria.

The basic actuarial assumptions used for Austria to determine severance obligations as of December 31, 2017 are as follows:

| (in %) | | 2017 | 2016 |
|--|----------|-------------|--------------|
| Discount rate | in % | 1.64 | 0.89 |
| Wage and salary increases | in % | 2.50 | 2.00 |
| Average term of the benefit obligation | in years | 9.14 - 9.78 | 9.67 - 10.09 |

The following table shows the changes in defined benefit obligations from January 1 to December 31:

| (in TEUR) | 2017 | 2016 |
|---|----------------|----------------|
| Defined benefit obligation as of January 1 | 101,756 | 96,018 |
| Current service cost | 3,077 | 2,922 |
| Interest expenses | 1,079 | 2,034 |
| Actuarial gains (-) and losses (+) from change in demographic assumptions | -338 | 67 |
| Actuarial gains (-) and losses (+) from change in financial assumptions | 3,046 | 5,636 |
| Actuarial gains (-) and losses (+) from change in experience adjustments | 1,678 | 265 |
| Benefits paid | -7,986 | -5,234 |
| Currency translation adjustments | -199 | 48 |
| Defined benefit obligation as of December 31 | 102,113 | 101,756 |
| Fair value of plan assets | -1,878 | -1,747 |
| Defined benefit liability as of December 31 | 100,235 | 100,009 |

The following table reconciles the fair value of plan assets:

| (in TEUR) | 2017 | 2016 |
|--|--------------|--------------|
| Fair value of plan assets as of January 1 | 1,747 | 1,523 |
| Interest income | 126 | 123 |
| Return on plan assets (excl. interest income) | -6 | -13 |
| Benefits paid | -100 | -85 |
| Contributions by the employer | 235 | 182 |
| Currency translation adjustments | -124 | 17 |
| Fair value of plan assets as of December 31 | 1,878 | 1,747 |

The plan assets are invested as follows:

| (in TEUR) | 2017 | 2016 |
|------------------------------------|--------------|--------------|
| Debt instruments | 1,352 | 1,308 |
| thereof listed on an active market | 0 | 0 |
| Other assets | 526 | 439 |
| thereof listed on an active market | 130 | 106 |
| | 1,878 | 1,747 |

The discretionary assessments and assumptions concerning future developments for the valuation of provisions for severances are based on relevant actuarial assumptions. A +/- 0.5 percentage point change in the discount factor and a change of +/- 0.5 percentage points in the salary increase would have the following effects on the present value of the severance obligation if all other parameters remain unchanged:

| (in TEUR) | | 2017 | 2016 |
|---------------------------|-------|--------|--------|
| Discount rate | +0.5% | -4,613 | -5,058 |
| | -0.5% | 5,000 | 5,500 |
| Wage and salary increases | +0.5% | 4,832 | 5,303 |
| | -0.5% | -4,507 | -4,932 |

The sensitivity analysis presented above may not be fully representative regarding the actual changes in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another due to the fact that some of the assumptions may correlate.

26. Financial liabilities

| | Bond | Obligations under finance leases | Schuldschein- darlehen | Bank loans and other financial liabilities | Total |
|--|----------------|-------------------------------------|---------------------------|--|----------------|
| Balance as of December 31, 2016 | 359,325 | 20,264 | 0 | 197,355 | 576,944 |
| Payments received | 0 | 0 | 400,033 | 46,332 | 446,365 |
| Payments made | -4,019 | -2,034 | 0 | -101,569 | -107,622 |
| Other non-cash changes | -5,547 | 113 | -963 | -12,410 | -18,807 |
| Currency translation adjustments | 0 | -9 | 0 | -12,587 | -12,596 |
| Changes in consolidation scope | 0 | 0 | 0 | -10,450 | -10,450 |
| Balance as of December 31, 2017 | 349,759 | 18,334 | 399,070 | 106,671 | 873,834 |

In the second quarter of 2017, ANDRITZ AG issued a Schuldscheindarlehen with an issuing volume of 400,000 TEUR in order to provide funds for corporate financing including refinancing and for potential acquisitions. This emission was over-subscribed considerably. It is divided into two tranches with maturities of seven and ten years and fixed interest rates.

27. Other liabilities

| (in TEUR) | 2017 | 2016 |
|---|------------------|------------------|
| Accruals and outstanding order-related costs | 482,035 | 471,631 |
| Unused vacation and other personnel-related accruals | 234,384 | 234,981 |
| Liabilities from value-added tax and from other taxes and charges | 69,662 | 71,484 |
| Contingent considerations | 62,737 | 62,207 |
| Derivatives | 56,979 | 85,440 |
| Liabilities from social security | 18,308 | 19,476 |
| Prepayments and deferred charges | 17,266 | 14,253 |
| Liabilities due to employees | 14,995 | 14,476 |
| Liabilities from commissions | 9,168 | 10,740 |
| Miscellaneous | 81,386 | 91,979 |
| | 1,046,920 | 1,076,667 |
| thereof other current liabilities | 942,979 | 958,072 |
| thereof other non-current liabilities | 103,941 | 118,595 |

Miscellaneous other liabilities include, but are not limited to, accrued interest and credit accounts receivable.

28. Advance payments received

Advance payments received and presented in the statement of financial position relate to orders for ongoing contracts, which do not represent construction contracts.

J) NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

In the consolidated statement of cash flows, cash flows are separated into cash inflows and outflows from operating activities, investing activities, and financing activities, irrespective of how the items are classified in the consolidated statement of financial position.

Cash flow from operating activities is derived indirectly based on the Earnings Before Taxes. Earnings Before Taxes are adjusted for non-cash expenses (primarily depreciation and amortization) and income. Cash flow from operating activities is calculated considering the changes in net working capital.

Investing activities mainly comprise payments for intangible assets and property, plant, and equipment as well as financial assets, incoming and outgoing payments for investments in securities and Schuldscheindarlehen, and payments for the acquisition of subsidiaries. The payments for intangible assets as well as property, plant, and equipment include capital expenditures (additions to intangible assets and property, plant, and equipment) for the fiscal year to the extent that they already had an effect on cash.

Financing activities include not only dividend payments, but also cash flows from the redemption or issue of bonds and Schuldscheindarlehen as well as other debts and outgoing payments for buy-back of treasury shares and own corporate bonds.

Non-cash transactions encompass the acquisition of intangible assets and property, plant, and equipment either by assuming directly related liabilities (sale on credit) or by means of a finance lease.

The changes of the items in the consolidated statement of financial position shown in the consolidated statement of cash flows cannot be derived directly as effects of currency conversion, companies not fully consolidated in prior periods due to minor importance as well as assets classified as held for sale do not result in cash outflows and thus have been eliminated.

The net cash flows from company acquisitions are as follows:

| (in TEUR) | 2017 | 2016 |
|--|---------------|----------------|
| Net assets | 15,105 | 131,976 |
| Non-controlling interests | 0 | 0 |
| Goodwill | -1,660 | 47,002 |
| CONSIDERATION TRANSFERRED | 13,444 | 178,978 |
| Cash and cash equivalents acquired | -10 | -13,160 |
| Payables from purchase price not yet paid (incl. contingent consideration) | 0 | -61,759 |
| Fair value of formerly held interests | 0 | 0 |
| NET CASH FLOW FROM COMPANY ACQUISITIONS | 13,435 | 104,059 |

The cash flows from company acquisitions are valued at the rates applying to the respective transactions.

K) FINANCIAL INSTRUMENTS

a) Valuation techniques

| Class | Valuation techniques for the determination of fair values |
|---|---|
| Derivatives, miscellaneous other investments, bank loans and other financial liabilities, obligations under finance leases, and contingent considerations | The valuation model considers the present value of expected cash flows discounted by a risk-adjusted discount rate for the remaining term. |
| Trade accounts receivable, other receivables and assets, Schuldscheindarlehen, cash and cash equivalents, trade accounts payable, and other liabilities | Due to substantially short remaining terms these classes of financial assets and liabilities are measured at book value which is considered to be an appropriate approximation of the fair value. |
| Shares in non-consolidated companies and other shares | For these financial instruments the fair value cannot be determined reliably. They are measured at acquisition costs which are considered to be an appropriate approximation of the fair value. |

b) Levels and fair values

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

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| (in TEUR) | Note | Net book value | | | | | | Fair value | | | | |
|--|---------|------------------|------------------|-----------------------|--------------------|-----------------------------|------------------------------|------------------|---------|---------|---------|---------|
| | | Held for trading | Hedge accounting | Loans and receivables | Available for sale | Other financial liabilities | No IAS 39 valuation category | Total | Level 1 | Level 2 | Level 3 | Total |
| Investments | 14./20. | | | | 636,610 | | | 636,610 | 636,610 | | | 636,610 |
| Derivatives | K) e) | 67,686 | 9,518 | | | | | 77,204 | | 77,204 | | 77,204 |
| Financial assets measured at fair value | | 67,686 | 9,518 | | 636,610 | | | 713,814 | | | | |
| Shares in non-consolidated companies and other shares | 14. | | | | 12,496 | | | 12,496 | | | | |
| Miscellaneous other financial assets | 14. | | | 7,145 | | | | 7,145 | 7,415 | | | 7,415 |
| Trade accounts receivable | 15. | | | 911,350 | | | | 911,350 | | | | |
| Other receivables and assets | 16. | | | 112,964 | | | 172,359 | 285,323 | | | | |
| Schuldscheindarlehen | 14./16. | | | 100,000 | | | | 100,000 | 99,076 | | | 99,076 |
| Cash und cash equivalents | 21. | | | 1,071,478 | | | | 1,071,478 | | | | |
| Financial assets measured at amortized costs | | | | 2,202,937 | 12,496 | | 172,359 | 2,387,792 | | | | |
| FINANCIAL ASSETS | | 67,686 | 9,518 | 2,202,937 | 649,106 | | 172,359 | 3,101,606 | | | | |
| Derivatives | K) e) | 56,979 | | | | | | 56,979 | 56,979 | | | 56,979 |
| Financial liabilities measured at fair value | | 56,979 | | | | | | 56,979 | | | | |
| Bond | K) c) | | | | | 349,759 | | 349,759 | 362,439 | | | 362,439 |
| Bank loans and other financial liabilities | | | | | | 106,671 | | 106,671 | | 110,141 | | 110,141 |
| Obligations under finance leases | M) b) | | | | | 18,334 | | 18,334 | | 18,611 | | 18,611 |
| Trade accounts payable | | | | | | 461,239 | | 461,239 | | | | |
| Contingent considerations | | | | | | 62,737 | | 62,737 | 67,632 | | | 67,632 |
| Schuldscheindarlehen | 26. | | | | | 399,070 | | 399,070 | 410,145 | | | 410,145 |
| Other liabilities | 27. | | | | | 840,276 | 86,928 | 927,204 | | | | |
| Financial liabilities measured at amortized costs | | | | | | 2,238,086 | 86,928 | 2,325,014 | | | | |
| FINANCIAL LIABILITIES | | 56,979 | | | | 2,238,086 | 86,928 | 2,381,993 | | | | |

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| (in TEUR) | Note | Net book value | | | | | | Fair value | | | | |
|--|---------|------------------|------------------|-----------------------|--------------------|-----------------------------|------------------------------|------------------|---------|---------|---------|---------|
| | | Held for trading | Hedge accounting | Loans and receivables | Available for sale | Other financial liabilities | No IAS 39 valuation category | Total | Level 1 | Level 2 | Level 3 | Total |
| Investments | 14./20. | | | | 172,367 | | | 172,367 | 172,367 | | | 172,367 |
| Derivatives | K) e) | 91,790 | 15,133 | | | | | 106,923 | | 106,923 | | 106,923 |
| Financial assets measured at fair value | | 91,790 | 15,133 | | 172,367 | | | 279,290 | | | | |
| Shares in non-consolidated companies and other shares | 14. | | | | 11,671 | | | 11,671 | | | | |
| Miscellaneous other financial assets | 14. | | | 7,410 | | | | 7,410 | | 7,917 | | 7,917 |
| Trade accounts receivable | 15. | | | 854,569 | | | | 854,569 | | | | |
| Other receivables and assets | 16. | | | 242,630 | | | 27,771 | 270,401 | | | | |
| Schuldscheindarlehen | 14./16. | | | 100,000 | | | | 100,000 | | 99,790 | | 99,790 |
| Cash und cash equivalents | 21. | | | 1,296,336 | | | | 1,296,336 | | | | |
| Financial assets measured at amortized costs | | | | 2,500,945 | 11,671 | | 27,771 | 2,540,387 | | | | |
| FINANCIAL ASSETS | | 91,790 | 15,133 | 2,500,945 | 184,038 | | 27,771 | 2,819,677 | | | | |
| Derivatives | K) e) | 85,092 | 348 | | | | | 85,440 | | 85,440 | | 85,440 |
| Financial liabilities measured at fair value | | 85,092 | 348 | | | | | 85,440 | | | | |
| Bond | K) c) | | | | | 359,325 | | 359,325 | 371,289 | | | 371,289 |
| Bank loans and other financial liabilities | | | | | | 197,355 | | 197,355 | | 201,859 | | 201,859 |
| Obligations under finance leases | M) b) | | | | | 20,264 | | 20,264 | | 19,034 | | 19,034 |
| Trade accounts payable | | | | | | 499,737 | | 499,737 | | | | |
| Contingent consideration | 26. | | | | | 62,207 | | 62,207 | | 60,281 | | 60,281 |
| Other liabilities | 27. | | | | | 843,283 | 85,737 | 929,020 | | | | |
| Financial liabilities measured at amortized costs | | | | | | 1,982,171 | 85,737 | 2,067,908 | | | | |
| FINANCIAL LIABILITIES | | 85,092 | 348 | | | 1,982,171 | 85,737 | 2,153,348 | | | | |

c) Fair value hedges

The Group uses interest rate swaps to hedge the change in fair value of the issued bond due to interest rate changes. Since the hedge is considered to be effective, the net book value of the bond is adjusted for changes in the fair value attributable to the hedged risk.

The portfolio of the bond (hedged item) changed as follows:

| (in TEUR) | 2017 | 2016 |
|--|----------------|----------------|
| Balance as of January 1 | 359,325 | 364,984 |
| Gains (-)/losses (+) recognized through profit or loss | -5,816 | -2,865 |
| Repurchase of own corporate bonds | -3,750 | -2,794 |
| Redemptions | 0 | 0 |
| Balance as of December 31 | 349,759 | 359,325 |

The market values of interest rate swaps (the hedging instrument) changed as follows:

| (in TEUR) | 2017 | 2016 |
|---|---------------|---------------|
| Fair value of swaps as of January 1 | 15,122 | 17,942 |
| Fair value of swaps as of December 31 | 9,518 | 15,122 |
| Gains/losses recognized through profit or loss | -5,604 | -2,820 |

The following table shows the changes from hedged items recognized through profit or loss and changes from hedging instruments in fair value hedging relationships:

| (in TEUR) | 2017 | 2016 |
|---|------------|-----------|
| From hedged items | 5,816 | 2,865 |
| From hedging instruments | -5,604 | -2,820 |
| Gains/losses recognized through profit or loss | 212 | 45 |

d) Cash flow hedges

The following table shows the reconciliation of the IAS 39 reserve for cash flow hedges in equity:

| (in TEUR) | 2017 | 2016 |
|--|---------------|---------------|
| Balance as of January 1 | -1,010 | -3,545 |
| Gains and losses from changes in fair values | 358 | 2,588 |
| Related deferred taxes | -126 | -864 |
| Transfers to income statement | 715 | 1,158 |
| Related deferred taxes | 63 | -347 |
| Balance as of December 31 | 0 | -1,010 |

Changes representing the effective portions of the hedging relationship that are recognized in equity in the IAS 39 reserve are shown as the result from cash flow hedges in the consolidated statement of comprehensive income. The cumulative effects in equity are recognized as other operating income or other operating expenses in the income statement when the underlying hedge transaction is realized.

e) Derivatives

The fair values are determined using forward rates at the balance sheet date. The Group's own credit risk as well as the credit risk of the contracting partner were included in the fair value measurement.

2017

| (in TEUR) | Remaining terms nominal values | | | | | Fair value |
|------------------------------------|--------------------------------|------------------|------------------|---------------|---------------|---------------|
| | not exceeding 1 year | more than 1 year | Total | positive | negative | Total |
| Foreign exchange forward contracts | 1,744,014 | 269,405 | 2,013,419 | 67,535 | 56,979 | 10,556 |
| Interest rate swaps | 0 | 350,000 | 350,000 | 9,518 | 0 | 9,518 |
| Commodity forward contracts | 689 | 0 | 689 | 151 | 0 | 151 |
| Total | 1,744,703 | 619,405 | 2,364,108 | 77,204 | 56,979 | 20,225 |

2016

| (in TEUR) | Remaining terms nominal values | | | | | Fair value |
|------------------------------------|--------------------------------|------------------|------------------|----------------|---------------|---------------|
| | not exceeding 1 year | more than 1 year | Total | positive | negative | Total |
| Foreign exchange forward contracts | 1,810,750 | 470,752 | 2,281,502 | 91,442 | 85,378 | 6,064 |
| Interest rate swaps | 0 | 352,000 | 352,000 | 15,122 | 54 | 15,068 |
| Commodity forward contracts | 2,323 | 689 | 3,012 | 359 | 8 | 351 |
| Total | 1,813,073 | 823,441 | 2,636,514 | 106,923 | 85,440 | 21,483 |

The fair values of the foreign exchange forward contracts classified according to transaction currency are as follows:

| (in TEUR) | not exceeding 1 year | more than 1 year | Total 2017 | Total 2016 |
|-----------------------|----------------------|------------------|---------------|--------------|
| US dollar | 5,704 | 952 | 6,656 | 13,610 |
| Euro | -114 | 160 | 46 | -3,911 |
| Canadian dollar | 0 | 778 | 778 | -2,004 |
| Brazilian real | -42 | -874 | -916 | -1,958 |
| Chinese renminbi yuan | 236 | -40 | 196 | -294 |
| Other currencies | 2,548 | 1,248 | 3,796 | 621 |
| | 8,332 | 2,224 | 10,556 | 6,064 |

f) Offsetting

The Group concludes derivatives in accordance with the Global Netting Agreements (Framework Agreement) of the International Swaps and Derivative Association (ISDA) and similar agreements. These agreements do not meet the criteria for netting in the balance sheet. This is because at present the Group has no legal entitlement to offset the amounts recognized. In the case of a termination of the framework agreement or an early termination of the outstanding contracts, the net amounts of the market values of all contracts to be terminated would be compensated. The following table sets out the book values of the financial instruments that are subject to the arrangements described:

| (in TEUR) | 2017 | | 2016 | |
|---|---------------|----------------|----------------|----------------|
| | positive | negative | positive | negative |
| Gross and net amounts (in the statement of financial position) | 77,204 | -56,979 | 106,923 | -85,440 |
| Netting (potential effects) | -2,844 | 2,844 | -3,592 | 3,592 |
| NET AMOUNTS | 74,360 | -54,135 | 103,331 | -81,848 |

g) Net gains and losses

2017

| (in TEUR) | Held for trading | Hedge accounting | Loans and receivables | Available for sale | Other financial liabilities |
|---|------------------|------------------|-----------------------|--------------------|-----------------------------|
| Interest result | | | 31,582 | 1,939 | -33,762 |
| Dividends | | | | 3,603 | |
| Valuation | 26,875 | -6,319 | -6,699 | -2,460 | |
| Gains and losses from sale and disposal | | | | 6,243 | |
| Net gains/losses recognized in net income | 26,875 | -6,319 | 24,883 | 9,325 | -33,762 |
| Net gains/losses recognized in other comprehensive income | | 1,073 | | -24,081 | |
| NET GAINS/LOSSES | 26,875 | -5,246 | 24,883 | -14,756 | -33,762 |

2016

| (in TEUR) | Held for trading | Hedge accounting | Loans and receivables | Available for sale | Other financial liabilities |
|---|------------------|------------------|-----------------------|--------------------|-----------------------------|
| Interest result | | | 41,346 | 1,140 | -26,454 |
| Dividends | | | | 2,919 | |
| Valuation | 674 | -2,820 | -13,633 | -878 | |
| Gains and losses from sale and disposal | | | | 261 | |
| Net gains/losses recognized in net income | 674 | -2,820 | 27,713 | 3,442 | -26,454 |
| Net gains/losses recognized in other comprehensive income | | 3,746 | | -4,439 | |
| NET GAINS/LOSSES | 674 | 926 | 27,713 | -997 | -26,454 |

L) RISK MANAGEMENT – RISKS RELATING TO FINANCIAL INSTRUMENTS

As a global company serving a variety of different markets and customers, the Group is subject to risks relating to financial instruments as well as strategic and operational risks. ANDRITZ has implemented a long-established Group-wide control and risk management system whose main task is identifying nascent risks at an early stage and quickly taking countermeasures. This system is an important element in the active risk management system within the Group. Despite having this control and risk management system in place, it cannot be guaranteed that all risks will be identified at an early stage. Consequently, the assets, liabilities, financial position, and profit or loss of the Group could be adversely affected. In order to minimize the financial risks at the best possible rate and to enhance monitoring, control, and assessment of its financial and liquidity position, the ANDRITZ GROUP has implemented a comprehensive policy and a transparent information system. The individual risks relating to financial instruments are described below. A detailed presentation of strategic and operative risks can be found in the Management report in chapter “Risk Management”.

a) Credit risks

In order to control the credit risks from trade receivables outstanding effectively, the ANDRITZ GROUP has established a uniform risk management process and compiled an appropriate Group-wide policy. In the ANDRITZ subsidiaries, the respective credit risk managers are responsible for conducting regular credit rating analyses on customers and project risk analyses, including the valuation of collateral securities. In particular, collateral securities include credit insurance, advance payments, letters of credit, and guarantees. In order to minimize the credit risks, financial transactions are conducted only within defined limits with banks and partners that have an investment grade rating.

The risk of a possible default (insolvency) by individual or several counterparties is minimized by means of an internal counterparty limit system. In this system, the maximum investment limit for each individual counterparty is determined in view of the respective counterparty's credit rating (by international rating agencies such as Moody's, Standard & Poor's, Fitch) and the credit default swap spreads (CDS spreads – indicator of the probability of the counterparty defaulting). The counterparty limit is adjusted on a monthly basis so that it is possible to react quickly in the event of credit rating changes at short notice. If there are larger, short-term changes in CDS spreads or counterparty ratings, the counterparty exposure is reduced immediately.

ANDRITZ pursues a risk-averse investment strategy. Cash is largely invested in low-risk financial assets, such as government bonds, government-guaranteed bonds, money market funds, investment funds to cover pension obligations, *Schuldscheindarlehen* 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 or make them non-tradable. This could have an adverse effect on the ANDRITZ GROUP's financial result or shareholders' equity due to necessary impairment or valuation allowances. On a monthly basis the Executive Board is informed about the extent and volume of current risk exposure and the respective counterparty limits in the ANDRITZ GROUP.

Credit risks and the risk of a delay in payment by counterparties are controlled by the application of credit approvals, limits, and monitoring procedures. If 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 cash and cash equivalents as well as investments is low because of a wide distribution with minimum criteria defined at the same time for the creditworthiness of the contractual partners is laid down in the conservative investment strategy.

Valuation allowances are included for all known risks. The possibility of a future shortfall in payment exceeding the recorded valuation allowance cannot be avoided with certainty.

Without considering risk minimization strategies as described above, the carrying values of financial assets recorded in the financial statements represent the Group's maximum exposure to credit risk.

The available for sale category includes a balance of impairment of 947 TEUR as of December 31, 2017 (December 31, 2016: 1,603 TEUR). The loans and receivables category includes a balance of impairment for trade receivables as well as other receivables totaling to 47,386 TEUR as of December 31, 2017 (December 31, 2016: 56,231 TEUR).

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. There is no single external customer contributing more than 10% of the total Group sales. On an overall basis, there is no significant concentration of credit risk.

To ensure transparency with respect to financial risks on projects and to enable immediate countermeasures a quarterly credit risk reporting to the Executive Board has been implemented. The reporting shows the maximum expected unsecured credit risk for orders with a value of over one million euros as well as customer ratings.

b) Liquidity risks

In order to minimize the financial risks at the best possible rate and to enhance monitoring, control, and assessment of its financial and liquidity position, the ANDRITZ GROUP has implemented a comprehensive policy and a transparent information system. The Group manages liquidity risks especially by holding adequate financial reserves, by issuing bonds, by requiring substantial customer advances, and by reconciling maturity date profiles of financial assets, receivables, and liabilities. A liquidity forecast with a defined planning horizon, quarterly updates of this rolling forecast, and existing but unused credit facilities ensure the necessary liquidity for the ANDRITZ GROUP.

The Group endeavors to mitigate the risk of payment failure by customers at the best possible rate by means of bank guarantees and export insurance. Further information can be found in the chapter "Credit risks". However, it can not be excluded that there will not be any individual payment default that will have a substantial negative impact on development of earnings and liquidity of the Group in the event of occurrence.

The ANDRITZ GROUP's position in terms of liquidity is very good and it has high liquidity reserves. The Group avoids dependence on a single bank or a few banks. In order to ensure independence, only a certain volume of each major financial product (cash and cash equivalents, financial liabilities, financial assets, guarantees, and derivatives) is handled by only one bank at a time. In the ANDRITZ GROUP, liquidity not only means the ability to meet financial obligations in the narrower sense, but also the availability of sureties. Operative business requires that bid bonds, contract performance guarantees, downpayment guarantees as well as performance and warranty bonds are provided on a continuous basis. As a result, financial flexibility is also determined by sufficient surety lines. With this diversification, ANDRITZ is seeking to minimize the counterparty risk at the best possible rate.

There are no substantial credit delays by the ANDRITZ GROUP; in general all financial liabilities are settled on due date. The following tables show the undiscounted future contractual cash flows from financial liabilities:

2017

| (in TEUR) | Net book value | Contractual cash flows | | | Total |
|---|------------------|------------------------|----------------|-------------------|------------------|
| | | Not exceeding 1 year | 1 to 5 years | More than 5 years | |
| Bonds | 349,759 | 13,563 | 363,563 | 0 | 377,126 |
| Bank loans and other financial liabilities | 106,671 | 84,999 | 22,310 | 4,473 | 111,782 |
| Obligations under finance leases | 18,334 | 1,781 | 13,705 | 4,907 | 20,393 |
| Trade accounts payable | 461,239 | 461,239 | 0 | 0 | 461,239 |
| Contingent considerations | 62,737 | 1,762 | 67,512 | 0 | 69,274 |
| Other liabilities | 927,204 | 902,430 | 17,860 | 6,914 | 927,204 |
| Non-derivative financial liabilities | 1,925,944 | 1,465,774 | 484,950 | 16,294 | 1,967,018 |
| Derivatives | 56,979 | 44,999 | 11,980 | 0 | 56,979 |
| Derivative financial liabilities | 56,979 | 44,999 | 11,980 | 0 | 56,979 |
| TOTAL | 1,982,923 | 1,510,773 | 496,930 | 16,294 | 2,023,997 |

2016

| (in TEUR) | Net book value | Contractual cash flows | | | Total |
|---|------------------|------------------------|----------------|-------------------|------------------|
| | | Not exceeding 1 year | 1 to 5 years | More than 5 years | |
| Bonds | 359,325 | 13,563 | 377,125 | 0 | 390,688 |
| Bank loans and other financial liabilities | 197,355 | 105,510 | 109,861 | 4,379 | 219,750 |
| Obligations under finance leases | 20,264 | 1,955 | 12,703 | 6,270 | 20,928 |
| Trade accounts payable | 499,737 | 499,737 | 0 | 0 | 499,737 |
| Contingent considerations | 62,207 | 1,942 | 68,433 | 0 | 70,375 |
| Other liabilities | 929,020 | 894,492 | 20,325 | 14,203 | 929,020 |
| Non-derivative financial liabilities | 2,067,908 | 1,517,199 | 588,447 | 24,852 | 2,130,498 |
| Derivatives | 85,440 | 64,306 | 21,134 | 0 | 85,440 |
| Derivative financial liabilities | 85,440 | 64,306 | 21,134 | 0 | 85,440 |
| TOTAL | 2,153,348 | 1,581,505 | 609,581 | 24,852 | 2,215,938 |

c) Market risks

The major market risks of the ANDRITZ GROUP contain exchange rate risks, interest rate risks, and raw material price risks.

Exchange rate risks

The currency risks of the Group occur due to the fact that the Group operates worldwide in different countries that do not have Euro as their local currency. The Group enters into foreign exchange forward contracts and swaps in order to exclude or minimize the foreign exchange risk (hedging) resulting from orders that are not invoiced in Euro. Exchange rate risks resulting from the recognition of equity are not hedged. Foreign exchange forward contracts are concluded exclusively with first-class national or international banks whose credit rating is checked continuously by Group Treasury in order to avoid a "cluster risk". The measures and regulations needed in connection with hedging of orders not invoiced in Euro are stated in the Group-wide treasury policy.

The sensitivity analysis provides an approximate quantification of the risk exposure in the event that certain specified parameters were to be changed under a specific set of assumptions. Exchange rate risks occur

particularly with the US dollar (USD), Chinese renminbi yuan (CNY), Canadian dollar (CAD), Swiss franc (CHF), Swedish krona (SEK), and Indian rupee (INR). The following details describe the sensitivity to a rise or fall in the above noted currencies against the euro (EUR) from the Group's point of view. The change shows the amount applied in internal reporting of foreign currency risk and reflects the Group's assessment of a possible change in foreign exchange rates. Currency risks in the meaning of IFRS 7 arise from financial instruments that are denominated in a currency other than the functional currency and are of a monetary nature. Translation differences from converting the financial statements of foreign Group companies into the Group currency are disregarded. The sensitivity analysis includes the material financial instruments of the ANDRITZ GROUP outstanding on the balance sheet date.

The impact on net income and other comprehensive income is as follows:

| (in TEUR) | | 2017 | | 2016 | |
|-----------|------|------------|----------------------------|------------|----------------------------|
| | | Net income | Other comprehensive income | Net income | Other comprehensive income |
| EUR/USD | +10% | -34,294 | 0 | -47,127 | -144 |
| | -10% | 34,294 | 0 | 47,127 | 144 |
| EUR/CAD | +10% | -3,789 | 0 | -3,867 | 0 |
| | -10% | 3,789 | 0 | 3,867 | 0 |
| EUR/CNY | +10% | 7,716 | 0 | 3,727 | -638 |
| | -10% | -7,716 | 0 | -3,727 | 638 |
| EUR/SEK | +10% | 1,111 | 0 | 3,580 | 0 |
| | -10% | -1,111 | 0 | -3,580 | 0 |
| EUR/CHF | +10% | 1,146 | 0 | 1,451 | 0 |
| | -10% | -1,146 | 0 | -1,451 | 0 |
| EUR/INR | +10% | -2,329 | 0 | 232 | 0 |
| | -10% | 2,329 | 0 | -232 | 0 |

The changes compared to the net income reported are mainly due to the market valuation of foreign exchange forward contracts at new rates, which are used to hedge plan items and are not included in any hedge relationship to IAS 39. These changes in fair values of derivatives are offset by the hedged order backlog.

Interest rate risks

In July 2012, ANDRITZ AG issued a bond with a nominal value of 350 MEUR with a tenor of seven years and a nominal interest rate of 3.875% p.a. For this bond, interest rate swaps were concluded to hedge the risk arising from the fixed interest rate of the bond. The interest rate swaps changed the fixed interest rate of the bond to a variable interest rate for the whole period. Therefore, ANDRITZ AG is exposed to 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 is applied.

The basic contractual parameters of the swaps are similar to those of the bond and therefore, the fair value hedge was virtually 100% effective. By applying the rules of hedge accounting, the gain or loss from the change in fair value of the swaps was recognized through profit or loss. The gain or loss attributable to the changes of the hedged interest rate risk led to an adjustment of the net book value of the bond and was also recognized through profit or loss. As a result, the gains and losses resulting from the swaps and the bond almost offset each other.

The ANDRITZ GROUP estimates that the exposure to interest rate risk of financial assets and liabilities is low due to the risk-averse strategy; additional significant derivatives for hedging of interest risks are not used. The interest

rate risks are managed by internal Cash-flow-at-Risk (CfaR) and Value-at-Risk (VaR) calculations as well as by prespecified limits. The limits for CfaR and VaR are set by using a benchmarking approach. Observation of the defined limits is monitored on a quarterly basis.

The weighted average interest rates at the balance sheet date were as follows:

2017

| (in %) | EUR | USD | BRL | CNY |
|------------------------------------|-----|-----|-----|-----|
| FINANCIAL ASSETS | | | | |
| Cash on current accounts | 0.0 | 0.6 | 0.3 | 0.9 |
| Current deposits | 0.1 | 1.2 | 6.8 | 2.8 |
| Investments - current | 0.3 | 0.0 | 0.0 | 4.1 |
| Investments - non-current | 0.3 | 0.0 | 0.0 | 0.0 |
| FINANCIAL LIABILITIES | | | | |
| Overdrafts on current accounts | 0.0 | 0.5 | 0.0 | 0.0 |
| Current loans | 0.8 | 4.2 | 9.4 | 0.0 |
| Non-current loans | 2.8 | 0.0 | 0.0 | 6.3 |
| Bonds, non-current | 2.0 | 0.0 | 0.0 | 0.0 |
| Schuldscheindarlehen - non-current | 1.6 | 0.0 | 0.0 | 0.0 |

2016

| (in %) | EUR | USD | BRL | CNY |
|------------------------------------|-----|-----|------|-----|
| FINANCIAL ASSETS | | | | |
| Cash on current accounts | 0.0 | 0.1 | 1.8 | 0.6 |
| Current deposits | 0.3 | 0.7 | 13.4 | 1.7 |
| Investments - current | 0.5 | 0.0 | 0.0 | 2.7 |
| Investments - non-current | 0.2 | 0.0 | 0.0 | 0.0 |
| FINANCIAL LIABILITIES | | | | |
| Overdrafts on current accounts | 0.0 | 0.0 | 0.0 | 0.0 |
| Current loans | 1.8 | 4.4 | 8.1 | 6.6 |
| Non-current loans | 4.1 | 0.0 | 10.7 | 6.6 |
| Bonds, non-current | 2.2 | 0.0 | 0.0 | 0.0 |
| Schuldscheindarlehen - non-current | 0.0 | 0.0 | 0.0 | 0.0 |

The interest rates refer to the remaining terms of the respective financial asset or financial liability.

The sensitivity analysis has been determined based on the bond's exposure to interest rates as of balance sheet date. There is no risk of a changing interest rate concerning the cash flows for ANDRITZ AG, as the issuer of the fixed-interest bearing bond. However, a change in the interest rate level would affect the fair value of the bond. Interest swaps were used for the bond to hedge the risk from the change in fair value. Interest rate sensitivity is assumed at 100 basis points in internal reporting on the interest risk. This reflects the Group's estimate with respect to a possible change in the interest rate. If interest rates change by 100 basis points and all other variables are kept constant, this would cause a change in the fair value of the swaps and a countervailing change in the net book value of the bond through profit or loss by virtually the same amount.

| (in TEUR) | | 2017 | 2016 |
|---|-----------------------------|----------|----------|
| Changes in market interest rates by +100 bp | Swaps | -3,383 | -5,756 |
| | Bonds | 3,383 | 5,756 |
| | Effect on net income | 0 | 0 |
| Changes in market interest rates by -100 bp | Swaps | 3,460 | 5,953 |
| | Bonds | -3,460 | -5,953 |
| | Effect on net income | 0 | 0 |

A rise in the interest level by 100 basis points, while simultaneously keeping all other variables constant, would have led to an increase in the interest result of 9,138 TEUR in the 2017 financial year (2016: increase of 9,644 TEUR). A decline in the interest level would have led to a decrease in the interest result in the same amount.

Raw material price risks

Raw materials are exposed to price fluctuation risks due to the volatility of the raw material markets. The Group uses commodity forwards mainly to hedge the price risk for copper, which is used in manufacturing of generators. Contracts are concluded exclusively with first-class banks whose credit rating is checked continuously by Group Treasury.

M) LEASES

Leasing contains operating leases and finance leases:

a) Operating leases

The Group has entered into various operating lease agreements for buildings (office and workshop), machinery, vehicles, 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-cancelable operating leases are as follows:

| (in TEUR) | 2017 | 2016 |
|----------------------|----------------|----------------|
| Not exceeding 1 year | 42,497 | 43,145 |
| 1 to 5 years | 84,742 | 81,755 |
| More than 5 years | 39,373 | 42,973 |
| | 166,612 | 167,873 |

b) Finance leases

ANDRITZ leases facilities for its business operations that are classified as finance leases. These largely cover rental of real estate in Raaba, Austria, and Vierkirchen, Germany, as well as rental of machinery in Aue, Germany. The lease contracts mainly comprise terms between 12 and 180 months. Future minimum lease payments under non-cancelable finance leases are as follows:

2017

| (in TEUR) | Not exceeding 1 year | 1 to 5 years | More than 5 years | Total |
|--|-------------------------|---------------|-------------------|---------------|
| Total minimum lease payments | 1,781 | 13,705 | 4,907 | 20,393 |
| Less amount representing interest | -643 | -1,294 | -122 | -2,059 |
| Present value of leasing payments | 1,138 | 12,411 | 4,785 | 18,334 |

2016

| (in TEUR) | Not exceeding 1 year | 1 to 5 years | More than 5 years | Total |
|--|-------------------------|---------------|-------------------|---------------|
| Total minimum lease payments | 1,973 | 14,408 | 6,279 | 22,660 |
| Less amount representing interest | -589 | -1,612 | -195 | -2,396 |
| Present value of leasing payments | 1,384 | 12,796 | 6,084 | 20,264 |

The following carrying amounts are included in property, plant, and equipment:

| (in TEUR) | 2017 | 2016 |
|---|---------------|---------------|
| Land and buildings | 17,457 | 18,246 |
| Technical equipment and machinery | 2,518 | 88 |
| Other equipment, factory and office equipment | 218 | 48 |
| | 20,193 | 18,382 |

N) CONTINGENT LIABILITIES

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 typical for the Group's industry, including contract and project disputes, product liability claims, and intellectual property litigation. ANDRITZ GROUP records adequate provisions 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 that these provisions will be sufficient. Given the amounts involved in some of these legal disputes, a negative decision for ANDRITZ in one or several of these disputes may have a material adverse effect on the earnings and liquidity position of the Group. In cases, where a negative outcome is unlikely, though seems possible (and is not totally remote), ANDRITZ GROUP does not record provisions. Such material cases are as follows:

The subject area product liability includes a number of cases alleging injuries and/or death resulting from exposure to asbestos. As of December 31, 2017 certain subsidiaries of the ANDRITZ GROUP are defendants in 29 asbestos cases (29 cases as of December 31, 2016) in the USA. In total, the cases involve 401 plaintiffs (431 plaintiffs as of December 31, 2016). All cases relate to claims against multiple defendants. All subsidiaries intend to defend each claim vigorously.

ANDRITZ HYDRO S.A., Brazil, faces tax claims based on allegations of joint and several liability with the Inepar Group arising out of the previous minority holding of Inepar. The tax claim enforcement actions, which were also contested, are not active as a result of Inepar's participation in the governmental tax amnesty program (REFIS). However, certain appeals by ANDRITZ relating to these claims are still active. If Inepar does not comply with its obligations under the REFIS program or its participation in the REFIS program is not confirmed, the tax proceedings against ANDRITZ HYDRO S.A. may be resumed.

O) RELATED PARTY TRANSACTIONS

Under IAS 24 (Related Party Disclosures), related party transactions should be disclosed with companies, as far as they are not already included as consolidated companies in the consolidated financial statements of ANDRITZ AG and with individuals or their family members, respectively. Members of the Executive Board and of the Supervisory Board as well as their families have been defined as related parties. The Group's key management personnel compensation includes the remuneration of the Executive Board and the Supervisory Board.

a) Related party transactions with companies

In addition to the companies included in the consolidated financial statements, the Group has direct or indirect relations in the ordinary course of business with non-consolidated subsidiaries and associated companies that are considered related parties of the Group. As the Group's transfer-pricing policy provides transfer prices at arm's length, no transactions are conducted that do not comply with market standards. The non-inclusion of non-consolidated entities in the consolidated financial statements has no significant impact on the Group's net assets, financial position, and profit or loss.

The extent of business relations with non-consolidated Group companies and associated companies is as follows:

| (in TEUR) | 2017 | 2016 |
|---|----------------|----------------|
| SALES AND OTHER OPERATING INCOME | 12,427 | 9,461 |
| with non-consolidated companies | 12,144 | 9,050 |
| with associated companies | 283 | 411 |
| EXPENSES | -18,375 | -17,339 |
| with non-consolidated companies | -18,375 | -17,327 |
| with associated companies | 0 | -12 |
| TRADE AND OTHER RECEIVABLES | 17,512 | 21,441 |
| from non-consolidated subsidiaries | 17,450 | 21,246 |
| Gross amount | 26,218 | 27,980 |
| Valuation allowance | -8,768 | -6,734 |
| from associated companies | 62 | 195 |
| Gross amount | 502 | 635 |
| Valuation allowance | -440 | -440 |
| LIABILITIES | 5,293 | 5,459 |
| to non-consolidated companies | 4,964 | 5,113 |
| to associated companies | 329 | 346 |

b) Related party transactions with individuals

Executive Board

The Executive Board of ANDRITZ AG was composed of five members as of December 31, 2017:

| Name | Function | Date of first appointment to Executive Board | End of current mandate |
|-------------------|-------------------------------|--|------------------------|
| Wolfgang Leitner | President & CEO | October 1, 1987 (CFO) June 29, 1994 (President & CEO) | June 28, 2018 |
| Humbert Köfler | Member of the Executive Board | April 1, 2007 | March 31, 2020 |
| Joachim Schönbeck | Member of the Executive Board | October 1, 2014 | September 30, 2017 |
| Wolfgang Semper | Member of the Executive Board | April 1, 2011 | March 31, 2019 |
| Mark von Laer | Chief Financial Officer | March 1, 2017 | February 29, 2020 |

A company controlled by the President and CEO of ANDRITZ AG has ceded operation of a corporate jet aircraft owned by the company to a professional private aviation firm. The related expenses for business trips by the President and CEO and other members of the Executive Board amounted to 1,058 TEUR in 2017 (2016: 954 TEUR). As of December 31, 2017 a liability to this company amounting 44 TEUR (2016: none) was recognized in this regard. These and other business relations with companies in which members of the Supervisory Board or the Executive Board of ANDRITZ AG are involved are conducted at usual market terms and are of minor importance, both individually and collectively.

Custos Vermögensverwaltungs GmbH owns 25% plus one share, while Cerberus Vermögensverwaltung GmbH holds 0.77%. Some of the shares in these companies are held directly and some indirectly by Custos Privatstiftung and by Wolfgang Leitner, CEO of ANDRITZ AG, respectively. Certus Beteiligungs-GmbH, whose shares are owned indirectly by Manile Privatstiftung, holds 5.72%.

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 profit. For 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 variable remuneration for the following years. If the net income of the Group falls short of a defined minimum amount, this results in a "malus" that is also carried forward to the following years and in a reduction in future variable salary components.

In all share option programs for managerial staff and the Executive Board since the Initial Public Offering (IPO), participation 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 no 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 if the contract of employment is still in force (exception: end of employment contract as scheduled according to contract provisions).

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 from a certain age provided that the employment contract has already been terminated by this date. The administration work has been outsourced to pension funds. Pension contracts are either defined contribution oriented or performance oriented. 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; after this, annual adjustments can be made to take account of the development in wages and salaries and of ANDRITZ's economic status.

A large section of the Executive Board shall, upon termination of his function and concurrent termination of employment, be entitled to severance payments in the meaning of section 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 almost entirely with the Austrian Code of Corporate Governance.

The following expenses have been recognized for the Executive Board:

| (in TEUR) | 2017 | 2016 |
|--------------------------|---------------|--------------|
| Short-term benefits | 10,018 | 8,823 |
| Post-employment benefits | 427 | 344 |
| Share-based expenses | -331 | 621 |
| | 10,114 | 9,788 |

A provision was recorded for pensions of former members of the Executive Board and their dependents of 5,286 TEUR in 2017 (2016: 6,813 TEUR). Expenses for these pensions amounted to 125 TEUR in 2017 (2016: 218 TEUR).

ANDRITZ AG took out Directors' and Officers' liability insurance (D&O insurance) for 2017. The costs are covered by the company. The D&O insurance covers certain personal liability risks of persons in the ANDRITZ GROUP acting under responsibility. As in the previous year, the annual costs amount to approximately 200 TEUR.

Supervisory Board

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

| Name | Function | Date of first appointment to Executive Board | End of current mandate |
|--------------------------|--|--|--|
| APPOINTED MEMBERS | | | |
| Christian Nowotny | Chairman of the Supervisory Board | December 29, 1999 | Until the Annual General Meeting in 2022 |
| Fritz Oberlerchner | Deputy-Chairman of the Supervisory Board | March 29, 2006 | Until the Annual General Meeting in 2020 |
| Jürgen Hermann Fechter | Member of the Supervisory Board | March 30, 2016 | Until the Annual General Meeting in 2021 |
| Alexander Isola | Member of the Supervisory Board | March 30, 2016 | Until the Annual General Meeting in 2021 |
| Monika Kircher | Member of the Supervisory Board | March 21, 2014 | Until the Annual General Meeting in 2019 |
| Kurt Stiassny | Member of the Supervisory Board | December 29, 1999 | Until the Annual General Meeting in 2020 |
| DELEGATED MEMBERS | | | |
| Georg Auer | Member of the Supervisory Board | July 1, 2011 | |
| Isolde Findenig | Member of the Supervisory Board | January 1, 2012 | |
| Andreas Martinier | Member of the Supervisory Board | February 14, 2001 | |

Isolde Findenig stepped down from the Supervisory Board as of December 31, 2017. She is succeeded by Monika Suppan, who was delegated to the Supervisory Board by the Works Council as of January 1, 2018.

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. Subject to approval by the Annual General Meeting, the Supervisory Board remunerations for the 2017 business year amount to a total of 300 TEUR (2016: 293 TEUR). No Supervisory Board remuneration was paid to the Supervisory Board members delegated by the employee representative organizations.

P) EXPENSES FOR SERVICES BY THE GROUP AUDITOR

| (in TEUR) | 2017 | 2016 |
|-----------------|------------|------------|
| Year-end audits | 306 | 120 |
| Other reviews | 9 | 16 |
| Other services | 2 | 42 |
| | 317 | 178 |

Q) EVENTS AFTER THE BALANCE SHEET DATE

There were no events of material significance after the balance sheet date.

R) GROUP COMPANIES

| Company | Main office | 2017 | | 2016 | |
|--|-----------------------------|---------|-----------------------|---------|-----------------------|
| | | Share* | Type of consolidation | Share* | Type of consolidation |
| Anstalt für Strömungsmaschinen GmbH | Graz, Austria | 100.00% | NC | 100.00% | NC |
| ANDRITZ Technology and Asset Management GmbH | Graz, Austria | 100.00% | FC | 100.00% | FC |
| ANDRITZ Power & Water GmbH | Vienna, Austria | 100.00% | FC | 100.00% | FC |
| ANDRITZ Environment s.r.l. | Milan, Italy | 100.00% | NC | - | - |
| ANDRITZ Environmental Engineering (Shanghai) Co., Ltd. | Shanghai, China | 100.00% | FC | 100.00% | FC |
| AE Energietechnik GmbH | Raaba, Austria | 100.00% | NC | 100.00% | NC |
| ANDRITZ SEPARATION GmbH ²⁾ | Cologne, Germany | 100.00% | FC | 100.00% | FC |
| Lenser Filtration GmbH ²⁾ | Senden, Germany | 100.00% | FC | 100.00% | FC |
| Lenser Asia Sdn. Bhd. | Petaling Jaya, Malaysia | 100.00% | FC | 100.00% | FC |
| Modul Systeme Engineering GmbH ²⁾ | Laufen, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ KMPT GmbH ²⁾ | Vierkirchen, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ KMPT Inc. | Florence / Kentucky, USA | 100.00% | FC | 100.00% | FC |
| ANDRITZ FBB GmbH ²⁾ | Mönchengladbach, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ Deutschland Beteiligungs GmbH | Krefeld, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ Ritz Immobilien GmbH | Krefeld, Germany | 100.00% | FC | 100.00% | FC |
| TANIAM GmbH & Co. KG | Pullach im Isartal, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ GmbH | Hemer, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ Kaiser GmbH | Bretten-Gölshausen, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ Sundwig GmbH | Hemer, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ Fiedler GmbH | Regensburg, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ Fliessbett Systeme GmbH | Ravensburg, Germany | 100.00% | FC | 100.00% | FC |
| Lenser Verwaltungs GmbH | Senden, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ S.R.L. | Cisnadia, Romania | 100.00% | NC | 100.00% | NC |
| ANDRITZ HYDRO GmbH | Ravensburg, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ Küsters GmbH | Krefeld, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ Kufferath GmbH | Düren, Germany | 100.00% | FC | 100.00% | FC |
| AKRE Real Estate GmbH | Düren, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ MAERZ GmbH | Düsseldorf, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ Ritz GmbH | Schwäbisch Gmünd, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ Atro GmbH | Nuremberg, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ Ritz Pte. Ltd. | Singapore, Singapore | 100.00% | FC | 100.00% | FC |
| Ritz Pumps South Africa (Pty) Ltd. | Boksburg, South Africa | 23.00% | NC | 23.00% | NC |
| Ritz - Verwaltungsgesellschaft mit beschränkter Haftung | Schwäbisch Gmünd, Germany | 100.00% | NC | 100.00% | NC |
| ANDRITZ MeWa GmbH | Gechingen, Germany | 100.00% | FC | 100.00% | FC |
| ANDRITZ MeWa Kft. | Győr, Hungary | 100.00% | NC | 100.00% | NC |
| HGI Holdings Limited | Limassol, Cyprus | 100.00% | NC | 100.00% | NC |
| ANDRITZ (Wuxi) Nonwoven Technology Co. Ltd. | Wuxi, China | - | - | 100.00% | NC |
| ANDRITZ SEPARATION AND PUMP TECHNOLOGIES INDIA PRIVATE LIMITED | Chennai, India | 100.00% | FC | 100.00% | FC |
| ANDRITZ Slovakia s.r.o. | Humenné, Slovakia | 100.00% | FC | 100.00% | FC |

ANDRITZ financial report 2017
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| Company | Main office | 2017 | | 2016 | |
|--|--|---------|-----------------------|---------|-----------------------|
| | | Share* | Type of consolidation | Share* | Type of consolidation |
| ANDRITZ HYDRO GmbH | Vienna, Austria | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO S.A.S. | Fontaine, France | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO Private Limited | Mandideep, India | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO Nepal Pvt. Ltd. | Kathmandu, Nepal | 100.00% | NC | - | - |
| ANDRITZ HYDRO S.L. | Algete, Spain | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO S.r.l., Unipersonale | Schio, Italia | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO AG | Kriens, Switzerland | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO S.A. de C.V. | Morelia, Mexico | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO AS | Jevnaker, Norway | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO S.A. Panama | El Dorado, Panama | 100.00% | NC | 100.00% | NC |
| ANDRITZ HYDRO Brasil Ltda. | Barueri, Brazil | - | - | 100.00% | FC |
| ANDRITZ HYDRO Ltd. Sti. | Tekeli, Turkey | 100.00% | FC | 100.00% | FC |
| PT. ANDRITZ HYDRO | Jakarta, Indonesia | 51.00% | FC | 51.00% | FC |
| ANDRITZ HYDRO S.A. | Lima, Peru | 100.00% | NC | 100.00% | NC |
| ANDRITZ HYDRO (Pty) Ltd. | Kyalami, South Africa | 100.00% | NC | 100.00% | NC |
| ANDRITZ HYDRO Ltda. | Bogotá, Colombia | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO s.r.o. | Prague, Czech Republic | 100.00% | NC | 100.00% | NC |
| ANDRITZ India Private Limited | New Delhi, India | 100.00% | FC | 100.00% | NC |
| ANDRITZ HYDRO C.A. | Caracas, Venezuela | 100.00% | NC | 100.00% | NC |
| ANDRITZ Power Sdn. Bhd. | Kuala Lumpur, Malaysia | 100.00% | NC | 100.00% | NC |
| ANDRITZ HYDRO INC. | Makati City, Philippines | 100.00% | NC | 100.00% | NC |
| PHP Philippines Hydro Project, Inc. | Makati City, Philippines | 24.98% | NC | 24.98% | NC |
| ANDRITZ Ulu Jelai Project Sdn. Bhd. | Kuala Lumpur, Malaysia | 100.00% | NC | 100.00% | NC |
| ANDRITZ HYDRO Hammerfest AS | Hammerfest, Norway | 100.00% | FC | 59.88% | FC |
| ANDRITZ HYDRO Hammerfest (UK) Limited | Glasgow, United Kingdom | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO UNIPESSOAL LDA | Porto, Portugal | 100.00% | NC | 100.00% | NC |
| ANDRITZ HYDRO DRC SARL | Kinshasa, Democratic Republic of the Congo | 100.00% | NC | 100.00% | NC |
| AH Pumpstorage GmbH | Vienna, Austria | 60.00% | NC | 60.00% | NC |
| ANDRITZ HYDRO Beteiligungsholding GmbH | Graz, Austria | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO Brasilien Beteiligungsgesellschaft mbH | Graz, Austria | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO S.A. | Barueri, Brazil | 100.00% | FC | 100.00% | FC |
| ANDRITZ Construcoes e Montagens Ltda | Santana do Parnaíba, Brazil | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO (SU), LDA. | Luanda, Angola | 100.00% | NC | 100.00% | NC |
| ANDRITZ HYDRO VIETNAM COMPANY LIMITED | Hanoi, Vietnam | 100.00% | NC | 100.00% | NC |
| ANDRITZ FEED & BIOFUEL A/S | Esbjerg, Denmark | 100.00% | FC | 100.00% | FC |
| ANDRITZ FEED & BIOFUEL Brasil Ltda. | Curitiba, Brazil | 100.00% | NC | 100.00% | NC |
| ANDRITZ Chile Ltda. | Santiago de Chile, Chile | 100.00% | FC | 100.00% | FC |
| Andritz Metaliza S.A. | Santiago de Chile, Chile | 50.00% | NC | 50.00% | NC |
| ANDRITZ Powerlase Holdings Limited | West Sussex, United Kingdom | 50.10% | NC | - | - |

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| Company | Main office | 2017 | | 2016 | |
|--|--------------------------------------|---------|-----------------------|---------|-----------------------|
| | | Share* | Type of consolidation | Share* | Type of consolidation |
| ANDRITZ Powerlase Limited | West Sussex, United Kingdom | 100.00% | NC | - | - |
| ANDRITZ Powerlase Inc. | Novi / Michigan, USA | 100.00% | NC | - | - |
| ANDRITZ (USA) Inc. | Alpharetta / Georgia, USA | 100.00% | FC | 100.00% | FC |
| ANDRITZ Inc. | Alpharetta / Georgia, USA | 100.00% | FC | 100.00% | FC |
| ANDRITZ Iggesund Tools Inc. | Oldsmar / Florida, USA | 100.00% | FC | 100.00% | FC |
| ANDRITZ SHW Inc. | Torrington / Connecticut, USA | 100.00% | FC | 100.00% | FC |
| ANDRITZ SEPARATION Inc. | Arlington / Texas, USA | 100.00% | FC | 100.00% | FC |
| ANDRITZ Separation Technologies Inc. | Florence / Kentucky, USA | 100.00% | FC | - | - |
| ANDRITZ HYDRO Corp. | Charlotte / North Carolina, USA | 100.00% | FC | 100.00% | FC |
| ANDRITZ Metals Inc. | Canonsburg / Pennsylvania, USA | 100.00% | FC | 100.00% | FC |
| Genesis Worldwide II, Inc. | Alpharetta / Georgia, USA | 100.00% | FC | 100.00% | FC |
| ANDRITZ Herr-Voss Stamco, Inc. | Callery / Pennsylvania, USA | 100.00% | FC | 100.00% | FC |
| Breakaway Services LLC | Alpharetta / Georgia, USA | 100.00% | FC | 100.00% | FC |
| ANDRITZ Paperchine, Inc. | Rockton / Delaware, USA | 100.00% | FC | - | - |
| Paperchine Canada Holdings Inc. | Coquitlam / British Columbia, Canada | 100.00% | FC | - | - |
| JohnsonFoil (Thailand) Co Ltd | Chachoengsao, Thailand | 100.00% | FC | - | - |
| Paperchine GmbH | Maintal, Germany | 100.00% | FC | - | - |
| ANDRITZ S.A.S. | Châteaurox, France | 100.00% | FC | 100.00% | FC |
| ANDRITZ Selas S.A.S. | Asnières-sur-Seine, France | 100.00% | FC | 100.00% | FC |
| AST ANDRITZ Selas | Tianjin, China | 40.00% | NC | 40.00% | NC |
| Jaybee Eng. (Holdings) Pty. Ltd. | Carrum Downs / Victoria, Australia | 100.00% | FC | 100.00% | FC |
| ANDRITZ Pty. Ltd. | Carrum Downs / Victoria, Australia | 100.00% | FC | 100.00% | FC |
| ANDRITZ (NZ) Ltd. | Tauranga, New Zealand | 100.00% | FC | 100.00% | FC |
| ANDRITZ Ingeniería S.A. | Madrid, Spain | 100.00% | FC | 100.00% | FC |
| ANDRITZ Brasil Ltda. | Curitiba, Brazil | 100.00% | FC | 100.00% | FC |
| ANDRITZ SEPARATION Indústria e Comércio de Equipamentos de Filtração Ltda. | Pomerode, Brazil | 100.00% | FC | 100.00% | FC |
| Sindus ANDRITZ Ltda. | Porto Alegre, Brazil | 100.00% | FC | 100.00% | FC |
| ANDRITZ Pílo Equipamentos Ltda. | Valinhos, Brazil | 100.00% | FC | 100.00% | FC |
| ANDRITZ Oy | Helsinki, Finland | 100.00% | FC | 100.00% | FC |
| Savonlinna Works Oy | Savonlinna, Finland | 100.00% | FC | 100.00% | FC |
| ANDRITZ Hydro Oy | Tampere, Finland | 100.00% | FC | 100.00% | FC |
| Warkaus Works Oy | Varkaus, Finland | 100.00% | FC | 100.00% | FC |
| Enmas ANDRITZ Pvt. Ltd. | Chennai, India | 40.00% | EQ | 40.00% | EQ |
| Viafin Brazil Oy | Teuva, Finland | 40.00% | EQ | 40.00% | EQ |
| A&V Montagens INDUSTRIAIS Ltda. | Lapa, Brazil | 100.00% | EQ | 100.00% | EQ |

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| Company | Main office | 2017 | | 2016 | |
|---|--------------------------------------|---------|-----------------------|---------|-----------------------|
| | | Share* | Type of consolidation | Share* | Type of consolidation |
| ANDRITZ HYDRO Canada Inc. | Pointe Claire / Quebec, Canada | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO Installations Inc. | Pointe Claire / Quebec, Canada | - | - | 100.00% | NC |
| ANDRITZ Ltd. | Lachine / Quebec, Canada | 100.00% | FC | 100.00% | FC |
| ANDRITZ Paper Machinery Ltd. | Lachine / Quebec, Canada | 100.00% | FC | 100.00% | FC |
| ANDRITZ Automation Ltd. | Richmond / British Columbia, Canada | 100.00% | FC | 100.00% | FC |
| ANDRITZ Iggesund Tools Canada Inc. | Laval / Quebec, Canada | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO AFI, Inc. | Paris / Ontario, Canada | - | - | 100.00% | FC |
| ANBO Inc. | Blenheim / Ontario, Canada | 100.00% | FC | 100.00% | FC |
| ANDRITZ Asselin-Thibeau S.A.S. | Elbeuf, France | 100.00% | FC | 100.00% | FC |
| ANDRITZ Gouda B.V. | Waddinxveen, The Netherlands | 100.00% | FC | 100.00% | FC |
| S.A.S.J.E. Duprat & Cie | La Roche Blanche, France | 100.00% | NC | 100.00% | NC |
| ANDRITZ AB | Örnsköldsvik / Växjö, Sweden | 100.00% | FC | 100.00% | FC |
| ANDRITZ HYDRO AB | Näliden, Sweden | 100.00% | FC | 100.00% | FC |
| ANDRITZ Ltd. | Newcastle-under-Lyme, United Kingdom | 100.00% | FC | 100.00% | FC |
| ANDRITZ (China) Ltd. | Foshan, China | 100.00% | FC | 100.00% | FC |
| Shanghai Shende Machinery Co. Ltd. | Shanghai, China | 100.00% | FC | 100.00% | FC |
| Shanghai Shenliang Mechanical Equipment and Erection Co. Ltd. | Shanghai, China | 100.00% | FC | 100.00% | FC |
| Beijing Andritz Sintai Engineering Technology Co., Ltd. | Beijing, China | 40.00% | EQ | 40.00% | EQ |
| ANDRITZ-Wolfensberger Special Alloy Foundry Co. Ltd. | Foshan, China | 100.00% | FC | 100.00% | FC |
| ANDRITZ Technologies H.K. Ltd. | Hong Kong, China | 100.00% | FC | 100.00% | FC |
| ANDRITZ Thermtec Holding B.V. | Rotterdam, The Netherlands | 100.00% | FC | 100.00% | FC |
| ANDRITZ Thermtec B.V. | Rotterdam, The Netherlands | 100.00% | FC | 100.00% | FC |
| ANDRITZ Technologies Pvt. Ltd. | Bangalore, India | 100.00% | FC | 100.00% | FC |
| ANDRITZ FEED & BIOFUEL Ltd. | Hull, United Kingdom | 100.00% | FC | 100.00% | FC |
| ANDRITZ FEED & BIOFUEL B.V. | Geldrop, The Netherlands | 100.00% | FC | 100.00% | FC |
| ANDRITZ B.V. | Den Helder, The Netherlands | 100.00% | FC | 100.00% | FC |
| ANDRITZ Singapore Pte. Ltd. | Singapore, Singapore | 100.00% | FC | 100.00% | FC |
| ANDRITZ Uruguay S.A. | Fray Bentos, Uruguay | 100.00% | FC | 100.00% | FC |
| ANDRITZ Industrias S.A. | Fray Bentos, Uruguay | 100.00% | NC | 100.00% | NC |
| ANDRITZ Pulp Technologies Punta Pereira S.A. | Montevideo, Uruguay | 100.00% | FC | 100.00% | FC |
| ANDRITZ K.K. | Tokyo, Japan | 100.00% | FC | 100.00% | FC |
| ANDRITZ DELKOR (Pty) Ltd. | Kyalami, South Africa | 100.00% | FC | 100.00% | FC |
| GKD Delkor (Pty) Ltd. | Kyalami, South Africa | 100.00% | NC | 100.00% | NC |
| PT. ANDRITZ | Jakarta, Indonesia | 100.00% | FC | 100.00% | FC |
| ANDRITZ Australia Pty. Ltd. | Melbourne / Victoria, Australia | - | - | 100.00% | NC |

ANDRITZ financial report 2017
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| Company | Main office | 2017 | | 2016 | |
|--|---------------------------------|---------|-----------------------|---------|-----------------------|
| | | Share* | Type of consolidation | Share* | Type of consolidation |
| LLC ANDRITZ | St. Petersburg, Russia | 100.00% | FC | 100.00% | FC |
| LLC ANDRITZ HYDRO | Moscow, Russia | 100.00% | NC | 100.00% | NC |
| ANDRITZ Kufferath s.r.o. | Levice, Slovakia | 100.00% | FC | 100.00% | FC |
| ANDRITZ Kft. | Tiszakécske, Hungary | 100.00% | FC | 100.00% | FC |
| ANDRITZ Perfojet S.A.S. | Montbonnot Saint-Martin, France | 100.00% | FC | 100.00% | FC |
| ANDRITZ Biax S.A.S. | Le Bourget du Lac, France | 100.00% | FC | 100.00% | FC |
| ANDRITZ Frautech S.R.L. | Vicenza, Italy | 100.00% | FC | 100.00% | FC |
| ProGENF IP GmbH | Wolfsburg, Germany | 30.00% | NC | 30.00% | NC |
| ANDRITZ Como S.R.L. | Grandate, Italy | 100.00% | NC | 100.00% | NC |
| ANDRITZ Soutec AG | Neftenbach, Switzerland | 100.00% | FC | 100.00% | FC |
| Soutec Shanghai Ltd. | Shanghai, China | 100.00% | NC | 100.00% | NC |
| EK Finance SAS | Scorbé-Clairvaux, France | 100.00% | FC | 100.00% | FC |
| ANDRITZ Euroslot France SAS | Scorbé-Clairvaux, France | 100.00% | FC | 100.00% | FC |
| ANDRITZ Euroslot India Private Limited | Mumbai, India | 74.00% | NC | 74.00% | NC |
| Euroslot Hong-Kong PTY LTD | Hong Kong, China | - | - | 55.00% | NC |
| Euroslot KDSS (Shanghai) Co. Ltd. | Shanghai, China | - | - | 100.00% | NC |
| ANDRITZ FZCO | Dubai, United Arab Emirates | 100.00% | NC | - | - |
| BAA Cyber Innovations Ltd. | Tel Aviv, Israel | 50.01% | FC | - | - |
| ANDRITZ Iggesund Tools AB | Igesund, Sweden | - | - | 100.00% | FC |
| ANDRITZ Beteiligungsgesellschaft IV GmbH | Krefeld, Germany | 100.00% | FC | 100.00% | FC |
| Schuler Aktiengesellschaft | Göppingen, Germany | 96.62% | FC | 96.62% | FC |
| Schuler Pressen GmbH | Göppingen, Germany | 100.00% | FC | 100.00% | FC |
| Nora Grundstücksvermietungsgesellschaft mbH & Co. Objekt Weingarten KG ¹⁾ | Göppingen, Germany | - | - | 100.00% | FC |
| Schuler Italia S.r.l. | Turin, Italy | 90.00% | NC | 90.00% | NC |
| Schuler (Dalian) Forming Technologies Co. Ltd. | Dalian, China | 100.00% | FC | 100.00% | FC |
| Schuler (China) Forming Technologies Co. Ltd. | Shanghai, China | 100.00% | FC | 100.00% | FC |
| Yangzhou Metal Forming Machine Tool Co., Ltd. | Yangzhou City, China | 52.90% | FC | 50.57% | FC |
| Binake (Yangzhou) Machinery Co., Ltd. | Yangzhou City, China | 40.00% | NC | 40.00% | NC |
| Beutler Nova AG | Gettnau, Switzerland | 100.00% | FC | 99.70% | FC |
| Schuler Presses UK Limited | Walsall, United Kingdom | 100.00% | FC | 100.00% | FC |
| BCN Technical Services Inc. | Hastings / Michigan, USA | 100.00% | FC | 100.00% | FC |
| Pressensysteme Schuler-México, S.A. de C.V. | Puebla, Mexico | 100.00% | FC | 100.00% | FC |
| Rena Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG ¹⁾ | Göppingen, Germany | - | - | 100.00% | FC |
| Tianjin SMG Presses Co. Ltd. | Tianjin, China | - | - | 100.00% | NC |
| Schuler (Tianjin) Metal Forming Technology Center Co. Ltd. | Tianjin, China | - | - | 100.00% | FC |

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| Company | Main office | 2017 | | 2016 | |
|---|-------------------------------|---------|-----------------------|---------|-----------------------|
| | | Share* | Type of consolidation | Share* | Type of consolidation |
| Schuler Thailand Co. Ltd. | Banglamung Chonburi, Thailand | 100.00% | NC | 100.00% | NC |
| Gräbener Pressensysteme GmbH & Co. KG ¹⁾ | Netphen, Germany | 100.00% | FC | 100.00% | FC |
| Schuler Automation GmbH & Co. KG ¹⁾ | Heßdorf, Germany | 100.00% | FC | 100.00% | FC |
| Vögtle Service GmbH | Eislingen, Germany | 100.00% | FC | 100.00% | FC |
| Schuler France S.A. | Strasbourg, France | 100.00% | FC | 100.00% | FC |
| Schuler Inc. | Canton / Michigan, USA | 100.00% | FC | 100.00% | FC |
| Prensas Schuler S.A. | São Paulo, Brazil | 100.00% | FC | 100.00% | FC |
| Shanghai Schuler Presses Co. Ltd. | Shanghai, China | 79.39% | FC | 79.39% | FC |
| Gräbener Pressensysteme-Verwaltungs GmbH | Netphen, Germany | 100.00% | NC | 100.00% | NC |
| Gräbener Press Systems Inc. | Warwick / Rhode Island, USA | 100.00% | NC | 100.00% | NC |
| Schuler Automation Geschäftsführungs GmbH | Heßdorf, Germany | 100.00% | NC | 100.00% | NC |
| Schuler Ibérica S.A.U. | Sant Cugat del Valles, Spain | 100.00% | NC | 100.00% | NC |
| Schuler Slovakia Services s.r.o. | Dubnica nad Váhom, Slovakia | 100.00% | NC | 100.00% | NC |
| Schuler India Private Limited | Mumbai, India | 100.00% | NC | 100.00% | NC |
| Schuler Poland Service Sp. Z.o.o. | Kedzierzyn-Kozle, Poland | 100.00% | NC | 100.00% | NC |
| Tianjin GMS Machine Tool Service Co. Ltd. | Tianjin, China | 50.00% | NC | 50.00% | NC |
| PRESSE ITALIA - S.p.a. | Naples, Italy | 95.00% | NC | 95.00% | NC |
| AWEBA Werkzeugbau GmbH Aue | Aue, Germany | 100.00% | FC | 100.00% | FC |
| WM-Werkzeugmanagement GmbH | St. Egidien, Germany | - | - | 100.00% | NC |
| WVL-Werkzeug- und Vorrichtungsbau Lichtenstein GmbH | St. Egidien, Germany | 100.00% | FC | 100.00% | FC |
| Dabaki Grundstücksverwaltungs gesellschaft mbH & Co. Vermietungs KG | Mainz, Germany | 94.00% | FC | 94.00% | FC |
| AWEBA Tool & Die Corp. | Dublin / Georgia, USA | - | - | 100.00% | NC |
| Molwarga Vermietungsgesellschaft mbH & Co. Objekt Aue KG | Düsseldorf, Germany | - | - | 94.90% | FC |
| ATF Auer Teilefertigung GmbH | Aue, Germany | 100.00% | FC | 100.00% | FC |
| LLC Schuler Service Rus | Toljatti, Russia | 100.00% | NC | 100.00% | NC |

* The share is shown as the share of the immediate parent company. If a subsidiary has more than one immediate parent company within the ANDRITZ GROUP the subsidiary is included with its share of the total ANDRITZ GROUP under the parent company with the majority share.

FC ... Full consolidation
EQ ... Equity valuation
NC ... Non-consolidated due to minor importance

1) The exemption rule according to section 264b HGB (German Commercial Code) is applied.
2) The exemption rule according to section 264 paragraph 3 HGB (German Commercial Code) is applied (loss transfer agreement exists).

Graz, February 23, 2018

Wolfgang Leitner m.p.
President and CEO

Humbert Köfler m.p.
Pulp & Paper
(Service and Units),
Separation

Joachim Schönbeck m.p.
Pulp & Paper
(Capital Systems),
Metals

Wolfgang Semper m.p.
Hydro

Mark von Laer m.p.
Chief Financial Officer

STATEMENT BY THE EXECUTIVE BOARD

Statement by the Executive Board of ANDRITZ AG, pursuant to section 82 paragraph 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 management 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 management 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 23, 2018

The Executive Board of ANDRITZ AG



Wolfgang Leitner
President and CEO



Humbert Köfler
Pulp & Paper
(Service & Units),
Separation



Joachim Schönbeck
Pulp & Paper
(Capital Systems),
Metals



Wolfgang Semper
Hydro



Mark von Laer
Chief Financial Officer

GLOSSARY

ATX

Austrian Traded Index, the leading stock market index of the Vienna stock exchange.

ATX-weighting

Weighting of the ANDRITZ share according to the calculation of the Vienna stock exchange. This weighting is based on the market capitalization of public free float.

Average number of shares traded

Number of shares which is on average traded per day by using the double count method as published by the Vienna Stock Exchange.

Capital employed

Net working capital plus intangible assets and property, plant, and equipment.

Capital expenditure

Additions to intangible assets and property, plant, and equipment.

CGU

Cash generating unit.

Dividend per share

Part of earnings per share which is distributed to shareholders.

Earnings per share

Net income (without non-controlling interests)/weighted average number of no-par value shares.

EBIT

Earnings before interest and taxes.

EBITA

Earnings before interest, taxes, amortization of identifiable assets acquired in a business combination and recognized separately from goodwill and impairment of goodwill.

EBITDA

Earnings before interest, taxes, depreciation, and amortization.

EBT

Earnings before taxes.

Employees

Number of employees without apprentices.

Equity attributable to shareholders per share

Equity attributable to shareholders of the parent/weighted average number of no-par value shares.

Equity ratio

Total shareholders' equity/total assets.

EV

EV (Enterprise Value): Market capitalization as of end of year minus net liquidity.

Free cash flow

Cash flow from operating activities minus capital expenditure plus payments from the sale of intangible assets and property, plant and equipment.

Free cash flow per share

Free cash flow/total number of shares.

Gearing

Net debt/total shareholders' equity.

HY

Hydro business area.

Liquid funds

Cash and cash equivalents plus investments plus Schuldscheindarlehen.

Market capitalization

Number of shares outstanding multiplied by the closing price.

ME

Metals business area.

MEUR

Million euros.

Net debt

Interest bearing liabilities including provisions for severance payments, pensions, and jubilee payments less liquid funds.

Net liquidity

Liquid funds plus fair value of interest rate swaps less financial liabilities.

Net working capital

Non-current receivables plus current assets (excluding investments, cash as well as Schuld-scheindarlehen) less other non-current liabilities and current liabilities (excluding financial liabilities and provisions).

Order backlog

The order backlog consists of present customer orders at the balance sheet date. Basically, it is calculated by the order backlog at the beginning of the period plus new order intake during the period less sales during the period.

Order intake

The order intake is the estimated order sales which have already been put into effect considering changes and corrections of the order value; letter of intents are not part of the order intake.

Payout ratio

Part of net income which is distributed to shareholders. It is calculated as dividend per share/earnings per share.

Performance of the ANDRITZ share

Relative change of the ANDRITZ share within one year.

PP

Pulp & Paper business area.

Price-earnings-ratio

Closing share price/earnings per share.

Return on equity

Earnings before taxes/total shareholder's equity.

Return on investment

Earnings before interest and taxes/total assets.

Return on sales

Earnings before interest and taxes/sales.

ROE

ROE (Return On Equity): Net income/total shareholder's equity.

SE

Separation business area.

Sureties

These contain bid bonds, contract performance guarantees, downpayment guarantees as well as performance and warranty bonds at the expense of the ANDRITZ GROUP.

TEUR

Thousand euros.

Total shareholders' equity

Total shareholders' equity including non-controlling interests.

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion

We have audited the consolidated financial statements of

Andritz AG,
Graz

and its subsidiaries (the Group), comprise the consolidated Statement of Financial Position as at 31 December 2017, the consolidated Income Statement, the consolidated Statement of Comprehensive Income, consolidated Statement of Changes in Equity and consolidated Statement of Cash Flows for the year then ended, and the Notes to the consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements pursuant to section 245a UGB (Austrian Commercial Code).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 ("EU Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian Generally Accepted Accounting Principles and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

We have identified the following key audit matters:

- Project Accounting
- Valuation of Goodwill
- Valuation and completeness of tax information.

Project Accounting

Please refer to notes 1, 19 and 24.

Risk for the Consolidated Financial Statements

A major portion of the revenues and net income contribution results from project business. The project business comprises a large number of projects with individual project revenues of more than 100 MEUR and project terms extending over several years. Revenue is recognized according to the stage of completion of the respective projects, which is measured using the "cost-to-cost method". This method is not applied to projects for which a project loss is expected. Such loss is immediately recognized in the income statement. For completed projects the Group is liable for warranty over a defined period of time. In certain active and completed projects, the Group is involved with customers and/or suppliers with regard to contractual obligations, resulting in potential or active legal proceedings. The Group recognizes provisions for warranty liabilities as well as for potential obligations as a result of legal proceedings. Determination of the stage of completion, the estimate of costs to complete as well as the measurement of project provisions require a substantial number of assumptions and forward looking estimates. Due to the significant volume of project business, this results in a risk of project revenue, net income, and project-related balance sheet captions being materially misstated.

Our response

When performing our audit, we obtained an understanding of the processes and internal controls relevant to project accounting and we tested the effectiveness of selected internal controls. This relates specifically to internal controls with respect to approval of project cost estimates at contract inception, approval of the ongoing, actual cost-to-budget-analysis, status reports relating to current projects, and estimate of the amount of outstanding or potentially outstanding costs to complete the project. Based on the results of these tests, we have planned additional procedures.

We have applied these procedures to a sample of current projects and we have assessed management's assumptions regarding those projects. The selection was based on risk criteria such as project volume, low or negative project margin or significant margin changes. Audit procedures mainly included: review of underlying contracts and agreements, a plausibility check on current project information, inquiries to individuals responsible for project execution or project controlling as to the reasonableness of estimates and assumptions used, evaluation of the estimation accuracy by comparing actual results with prior period estimates, and reconciliation of the facts used for estimates with contract information and other relevant documents. In addition, we have evaluated the method used to determine the stage of completion and the proper allocation of contract cost to individual contracts. To assess whether the provisions for litigations and claims from costumers are appropriate, we have read the relevant documents, obtained confirmation letters from lawyers and discussed the cases with personnel involved and inspected their documentation.

Valuation of Goodwill

Please refer to note 11.

Risk for the Consolidated Financial Statements

Goodwill capitalized in the consolidated statement of financial position as of 31 December 2017 amounts to 547.6 MEUR. Once a year or if a triggering event occurs Andritz AG conducts an impairment test in order to confirm the value of goodwill.

Testing goodwill for impairment requires a considerable number of estimates concerning future development of revenues, earnings, and net cash inflows as well as assumptions on discount rates used, and is therefore exposed to significant uncertainty. For the financial statements, this leads to the risk of goodwill being overstated.

Our response

We have evaluated the reasonableness of forward looking estimates and significant assumptions as well as the valuation methodologies used, involving our own valuation experts.

We have reconciled the revenue and margin projections used for impairment testing to the Group's current business plan and have tested the underlying assumptions for reasonableness in discussions with the management and reconciliation to information relating to the current and expected development of the respective cash generating units. We also verified the historical accuracy of the business plan by comparing plans for prior periods with the actual results.

With regard to the discount rates used, we have tested the underlying assumptions by comparing them to market- and industry-specific benchmarks and methodologies, and we have reviewed the respective calculation formula, involving our own valuation experts.

Valuation and completeness of tax information

Please refer to notes N and 8.

Risk for the Consolidated Financial Statements

The Group's business activities are located in a large number of legislations spread over virtually all areas of the world. Consequently, the Group is subject to various different tax jurisdictions and resulting obligations. This includes income taxes as well as transactional taxes. In addition, the relevant financial reporting standards, especially IAS 12 Income Taxes, contain comprehensive rules that require estimates on future developments and involve a high degree of complexity in their application.

This may lead to a situation where current or deferred taxes are not correctly determined, existing tax obligations are not properly recognized and tax risks are not appropriately assessed, or tax receivables and deferred tax assets cannot be used. For the financial statements, there is a risk of tax liabilities or provisions being omitted or understated or of tax receivables or deferred tax assets being overstated.

Our response

By involving tax specialists, we have tested the recognition and valuation of assets and liabilities relating to income and transactional taxes for completeness and accuracy at Group and at individual subsidiary level. In addition, we have obtained external confirmations about the tax status of Andritz AG and significant subsidiaries from the respective tax representatives or advisors, and we have assessed whether existing facts and circumstances are properly reflected in the financial statements (including notes). We have tested tax receivables for collectability and have verified the tax planning, which is the basis for recognition and valuation of deferred tax assets in accordance with the underlying assumptions and estimates of future developments.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional

requirements pursuant to section 245a UGB (Austrian Commercial Code) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

REPORT ON OTHER LEGAL REQUIREMENTS

Group Management Report

In accordance with the Austrian Generally Accepted Accounting Principles, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements. It is our responsibility to determine whether the consolidated non-financial statement has been prepared as part of the group management report, to read and assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

Management is responsible for the preparation of the group management report in accordance with the Austrian Generally Accepted Accounting Principles.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report, and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Additional Information in accordance with Article 10 EU Regulation

At the Annual General Meeting dated 28 March 2017, we were elected as group auditors. We were appointed by the Supervisory Board on 13 October 2017. We have been the Group's auditors from the year ended 31 December 2016 without interruption.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 EU Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner is Mr. Helmut Kerschbaumer.

Vienna, 23. February 2018

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Signed by:
Mag. Helmut Kerschbaumer
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.
The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

GRI INDEX

General standard disclosures

| | Short description | Page |
|-------------------------------|---|--|
| Organizational profile | | |
| 102-1 | Name of organization | Cover |
| 102-2 | Primary brands, products and services | andritz.com, Financial report p. 88f |
| 102-3 | Location of the organization's headquarters | Graz, Austria |
| 102-4 | Overview of the organization's locations | andritz.com |
| 102-5 | Nature of ownership and legal form | Financial report p. 40 |
| 102-6 | Markets served | Financial report p. 5 |
| 102-7 | Scale of organization | Annual report |
| 102-8 | Information on employees and other workers (by gender, employment contract, region etc.) | Financial report p. 152 |
| 102-9 | Description of organization's supply chain | Financial report p. 28 |
| 102-10 | Significant changes to the organization and its supply chain | Financial report p. 14, p. 67 |
| 102-11 | Report whether and how the precautionary approach or principle is addressed by the organization | Financial report p. 26 |
| 102-12 | List externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes | Financial report p. 26 |
| 102-13 | Memberships of associations | Memberships in associations are held by the respective business areas and are not managed centrally |
| Strategy | | |
| 102-14 | Statement from the most senior decision-maker of the organization | Annual report p. 1 |
| Ethics and integrity | | |
| 102-16 | Values, principles, standards and norms of behaviour | Financial report p. 25, p. 49 |
| Governance | | |
| 102-18 | Governance structure and its composition | Financial report p. 44 |
| Stakeholder engagement | | |
| 102-40 | List of stakeholder groups engaged | https://www.andritz.com/group-en/about-us/gr-sustainability |
| 102-41 | Percentage of total employees covered by collective bargaining agreements | At the largest locations in Europe and China the figure is 100%; individual regulations for the USA and India; no data for other regions available |
| 102-42 | Identification and selection of stakeholders with whom to engage | Stakeholder analysis 2015 |
| 102-43 | Stakeholder engagement | Financial report p. 24 |
| 102-44 | Key topics and concerns raised through stakeholder engagement | Financial report p. 24 |
| Reporting practice | | |
| 102-45 | Entities included in the organization's consolidated financial statements | Financial report p. 133ff |
| 102-46 | Defining report content and topic boundaries | Financial report p. 24 |
| 102-47 | List of material topics | Financial report p. 24 |
| 102-48 | Restatements of information | Financial report p. 25 |
| 102-49 | Changes in reporting | No significant changes |
| 102-50 | Reporting period | 2017 |
| 102-51 | Date of most recent report | March 2 nd , 2018 |
| 102-52 | Reporting cycle | annual |

| | Short description | Page |
|--------|--|---------------------------------|
| 102-53 | Contact point for questions regarding the report | csr@andritz.com |
| 102-54 | Claims of reporting in accordance with the GRI Standards | Core |
| 102-55 | GRI content index | Financial report p. 148 |
| 102-56 | External assurance | Within the framework of NaDiVeG |

Category: Economic

| Material aspects | Topic-specific disclosures | Page | Omissions/ Explanations |
|---------------------------------------|--|---------------------------|-------------------------|
| GRI 201: Economic performance | | | |
| 201-2 | Direct economic value generated and distributed | Financial report p. 6ff | |
| 201-2 | Financial implications and other risks and opportunities due to climate change | Financial report p. 35 | |
| 201-3 | Defined benefit plan obligations and other retirement plans | Financial report p. 107ff | |
| 201-4 | Financial assistance received from government | Financial report p. 83 | |
| GRI 204: Procurement practices | | | |
| | Management approach disclosures | Financial report p. 28ff | |
| 204-1 | Proportion of spending on local suppliers at significant locations of operations | Financial report p. 29 | |

Category: Environmental

| Material aspects | Topic-specific disclosures | Page | Omissions/ Explanations |
|---|--|--------------------------|---|
| GRI 302: Energy | | | |
| | Management approach disclosures | Financial report p. 31 | |
| 302-1 | Energy consumption within the organization | Financial report p. 156 | Reported in Manufacturing, as this is the area with the highest consumption |
| 302-5 | Reductions in energy requirement of sold products and services | Financial report p. 35ff | Reported descriptively |
| GRI 303: Water | | | |
| | Management approach disclosures | Financial report p. 34 | |
| 303-1 | Total water withdrawal by source | Financial report p. 156 | Reported in Manufacturing, as this is the area with the highest consumption |
| GRI 306: Effluents and waste | | | |
| | Management approach disclosures | Financial report p. 34 | |
| 306-1 | Total water discharge | Financial report p. 156 | Reported in Manufacturing |
| 306-2 | Waste by type and disposal method | Financial report p. 157 | Reported in Manufacturing |
| GRI 307: Environmental compliance | | | |
| 307-1 | Non-compliance with environmental laws and regulations | | No complaints have been received on a groupwide level in the reporting period |
| GRI 308: Supplier environmental assessment | | | |
| 308-1 | New suppliers that were screened using environmental criteria | Financial report p. 29 | |

Category: Social

| Material aspects | Topic-specific disclosures | Page | Omissions/ Explanations |
|---|---|-------------------------|---|
| GRI 401: Employment | | | |
| | Management approach disclosures | Financial report p. 25 | |
| 401-1 | New employee hires and employee turnover | Financial report p. 154 | Reported according to gender and age only |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | | Social benefits are available to all employees regardless of their contract of employment and only vary from one country to another as a result of the legal requirements. |
| 401-3 | Parental leaves | Financial report p. 26 | |
| GRI 402: Labor/Management relations | | | |
| 402-1 | Minimum notice periods regarding operational changes | Financial report p. 26 | Reported descriptively |
| GRI 403: Occupational health and safety | | | |
| | Management approach disclosures | Financial report p. 30 | |
| 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | Financial report p. 31 | |
| GRI 404: Training and education | | | |
| | Management approach disclosures | Financial report p. 26f | |
| 404-1 | Average hours of training per year per employee | Financial report p. 154 | |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | Financial report p. 155 | |
| GRI 405: Diversity and equal opportunity | | | |
| | Management approach disclosures | Financial report p. 26 | |
| 405-2 | Ratio of basic salary and remuneration of women to men | Financial report p. 26 | |
| GRI 406: Non-discrimination | | | |
| | Management approach disclosures | Financial report p. 26 | |
| 406-1 | Incidents of discrimination and corrective actions taken | | Cases of discrimination are dealt with by the regional compliance officers, sometimes in cooperation with the member of the compliance committee responsible for HR topics. At the moment there are no global records concerning the number of incidents. |
| GRI 408: Child labor | | | |
| | Management approach disclosures | Financial report p. 26 | |
| 408-1 | Operations and suppliers at significant risk for incidents of child labor | | Even if there is a certain risk of child labor in some countries in which ANDRITZ has locations, child labor locations is virtually precluded through strict internal rules and controls. |

| Material aspects | Topic-specific disclosures | Page | Omissions/ Explanations |
|--|--|-------------------------|---|
| GRI 409: Forced or compulsory labor | | | |
| | Management approach disclosures | Financial report p. 26 | |
| 409-1 | Operations and suppliers at significant risk for incidents of forced and compulsory labor | | Even if there is a certain risk of forced and compulsory labor in some countries in which ANDRITZ has locations, forced and compulsory labor is virtually precluded through strict internal rules and controls. |
| GRI 412: Human rights assessment | | | |
| | Management approach disclosures | Financial report p. 29 | |
| 412-2 | Employee training on human rights policies or procedures | | Shall be implemented mid-term |
| GRI 414: Supplier social assessment | | | |
| | Management approach disclosures | Financial report p. 29f | |
| 414-1 | New suppliers that were screened using social criteria | Financial report p. 29f | |
| 414-2 | Negative social impacts in the supply chain and actions taken | Financial report p. 29f | |
| GRI 418: Customer privacy | | | |
| | Management approach disclosures | | Strict requirements that are checked by the Legal Compliance Group Function |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | | No complaints on a groupwider level in the reporting period |
| GRI 419: Socioeconomic Compliance | | | |
| | Management approach disclosures | Financial report p. 49 | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | | No complaints on a groupwider level in the reporting period |

CSR DATA OVERVIEW

Employees

Employees by gender, age group, type of employment and employment contract

| | Absolute 2017 | Absolute 2016 | Percentage 2017 | Percentage 2016 |
|----------------------|---------------|---------------|-----------------|-----------------|
| Men | 21,630 | 21,362 | 85% | 85% |
| Women | 3,936 | 3,800 | 15% | 15% |
| TOTAL | 25,566 | 25,162 | 100% | 100% |
| < 30 years old | 3,860 | 4,076 | 15% | 16% |
| 30-50 years | 14,574 | 14,129 | 57% | 56% |
| > 50 years old | 7,132 | 6,957 | 28% | 28% |
| TOTAL | 25,566 | 25,162 | 100% | 100% |
| White-collar workers | 16,210 | 15,435 | 63% | 61% |
| Blue-collar workers | 9,356 | 9,727 | 37% | 39% |
| TOTAL | 25,566 | 25,162 | 100% | 100% |
| Full-time | 24,705 | 24,356 | 97% | 97% |
| thereof male | 20,355 | n.a.* | 82% | n.a. |
| thereof female | 4,350 | n.a. | 18% | n.a. |
| Part-time | 861 | 806 | 3% | 3% |
| thereof male | 326 | n.a. | 38% | n.a. |
| thereof female | 535 | n.a. | 62% | n.a. |
| TOTAL | 25,566 | 25,162 | 100% | 100% |
| Permanent | 22,373 | 21,850 | 88% | 87% |
| thereof male | 17,998 | n.a. | 80% | n.a. |
| thereof female | 4,375 | n.a. | 20% | n.a. |
| Temporary | 3,193 | 3,312 | 12% | 13% |
| thereof male | 2,661 | n.a. | 83% | n.a. |
| thereof female | 532 | n.a. | 17% | n.a. |
| TOTAL | 25,566 | 25,162 | 100% | 100% |

* n.a. = not available

Employees per region

| | Absolute 2017 | Absolute 2016 | Percentage 2017 | Percentage 2016 |
|----------------------|---------------|---------------|-----------------|-----------------|
| Europe | 14,574 | 14,787 | 58% | 59% |
| China | 3,155 | 3,090 | 12% | 12% |
| South America | 2,893 | 2,901 | 11% | 12% |
| North America | 3,093 | 2,770 | 12% | 11% |
| Asia (without China) | 1,778 | 1,537 | 7% | 6% |
| Rest of the world | 73 | 77 | 0% | 0% |
| TOTAL | 25,566 | 25,162 | 100% | 100% |

Personnel expenditure

| (in MEUR) | 2017 | 2016 |
|---|----------------|----------------|
| TOTAL Expenditure on wages and salaries* | 1,717.8 | 1,656.6 |

* Including wages and salaries, social security contributions, pensions, severance payments, and other social expenses.

Newly hired employees by gender and age group

| | Absolute 2017 | Absolute 2016 | Percentage 2017 | Percentage 2016 |
|----------------|---------------|---------------|-----------------|-----------------|
| Men | 3,703 | 3,538 | 85% | 85% |
| Women | 633 | 612 | 15% | 15% |
| < 30 years old | 1,534 | 1,412 | 35% | 34% |
| 30-50 years | 2,287 | 2,107 | 53% | 51% |
| > 50 years old | 515 | 631 | 12% | 15% |
| TOTAL | 4,336 | 4,150 | 100% | 100% |

Fluctuation by gender and age group

| | Contracts terminated 2017 | Contracts terminated 2016 | Fluctuation rate 2017* | Fluctuation rate 2016* |
|-------------------------------|---------------------------|---------------------------|------------------------|------------------------|
| Men | 3,206 | 3,043 | 14.8% | 14.3% |
| Women | 452 | 456 | 11.7% | 12.0% |
| < 30 years old | 859 | 954 | 22.0% | 23.7% |
| 30-50 years | 1,874 | 1,781 | 13.0% | 12.6% |
| > 50 years old | 925 | 764 | 13.0% | 11.1% |
| TOTAL | 3,658 | 3,499 | 14.4% | 14.0% |
| without site workers** | 2,968 | 2,687 | 11.6% | 10.7% |

* Calculation of fluctuation rate: contracts terminated in relation to the average number of employees. Contracts terminated include dismissals by the employer and resignation of employees, including project-related site workers.

** Projection

Parental leave periods by gender

| | Absolute 2017 | Absolute 2016 | Percentage 2017 | Percentage 2016 |
|--------------|---------------|---------------|-----------------|-----------------|
| Men | 202 | 155 | 0.9% | 0.7% |
| Women | 226 | 197 | 5.7% | 5.2% |
| TOTAL | 428 | 352 | | |

* Percentage of the total workforce of the ANDRITZ GROUP

Expenditure on education and training

| | 2017 | 2016 |
|--|---------------|---------------|
| TOTAL (in TEUR) | 11,726 | 10,334 |
| Average expenditure per employee (EUR) | 456 | 411 |
| Total training hours* | 388,381 | 384,871 |

* The change results largely from the improvement in data quality.

Employees appraisals

| | 2017 | 2016 |
|--------------|------------|------------|
| Men | 71% | 69% |
| Women | 64% | 61% |
| TOTAL | 70% | 68% |

* Percentage of the total workforce that took part in employee appraisals during the reported period

Average duration of employment by age group and region

| (in years) | Europa 2017 | Europe 2016 | North America 2017 | North America 2016 | South America 2017 | South America 2016 | China 2017 | China 2016 | Asia (excl. China) 2017 | Asia (excl. China) 2016 |
|----------------|----------------|----------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------|---------------|----------------------------------|----------------------------------|
| < 30 years old | 4.2 | 4.5 | 2.5 | 2.6 | 2.3 | 2.1 | 2.9 | 3.4 | 2.8 | 3.8 |
| 30-50 years | 10.7 | 11.1 | 6.7 | 7.6 | 5.7 | 5.7 | 8.8 | 8.6 | 7.5 | 8.9 |
| > 50 years old | 22.6 | 23.1 | 14.8 | 15.8 | 10.8 | 11.0 | 19.7 | 18.9 | 11.6 | 13.3 |
| TOTAL | 13.9 | 14.3 | 9.4 | 10.3 | 5.9 | 5.4 | 8.3 | 8.1 | 7.1 | 8.4 |

Accident statistics

| | 2017 | 2016 |
|---|------|------|
| Accidents at work (with more than three days of absence) | 304 | 362 |
| Accident frequency (accidents with more than three days of absence per 1 million working hours) | 6.1 | 7.1 |
| Fatal accidents at work | 1 | 1 |
| Severity of accidents (absence periods in hours per accident) | 144 | 132 |

Procurement

Purchasing volume

| (in MEUR) | 2017 | 2016 |
|--|----------------|----------------|
| TOTAL | 4,021.5 | 4,083.9 |
| thereof external suppliers | 2,814.8 | 2,844.1 |
| thereof internal suppliers | 1,182.2 | 1,223.5 |
| thereof consolidated purchasing volume | 24.4 | 16.4 |
| Local percentage of external purchasing volume | 71.3% | 72.9% |

* Percentage of local purchasing volume that was bought in the respective country

Purchasing volume by region

| (in %) | 2017 | 2016 |
|----------------------|------|------|
| Europe | 70.4 | 68.5 |
| China | 11.5 | 11.5 |
| North America | 9.6 | 10.0 |
| South America | 3.2 | 5.1 |
| Asia (without China) | 4.8 | 4.3 |
| Other | 0.6 | 0.6 |

Environment

Overall electricity consumption

| | Unit | 2017 | 2016 |
|--------------------------|------------|--------------------|--------------------|
| TOTAL | kWh | 197,305,539 | 180,532,508 |
| thereof manufacturing | % | 85 | 86 |
| thereof office buildings | % | 15 | 14 |

* For 2017 and 2016, only office buildings attached to a manufacturing site were included.

Energy consumption within the organization

| | Unit | 2017 | 2016 |
|--|------|-------------|-------------|
| Heating oil (for heating and production processes) | MJ | 102,205,463 | 92,232,031 |
| Natural gas (for heating and production processes) | MJ | 536,081,125 | 531,325,296 |
| District heating | kWh | 30,527,041* | 20,347,838 |
| Liquid (petrol) gas | MJ | 30,589,718 | 32,516,426 |
| Diesel | MJ | 23,062,247 | 22,203,884 |
| Gasoline | MJ | 6,362,964* | 3,957,017 |

* The increase results mainly from two large manufacturing locations in China and Germany being included in the data collection for the first time.

Water consumption and disposal of waste water in manufacturing

| (in m³) | 2017 | 2016 |
|--------------------------|------------------|----------------|
| Surface water | 19,420 | 9,300 |
| Ground water | 34,328 | 10,949 |
| Municipal water supplies | 522,887 | 383,958 |
| Rain water | 14,709 | 11,348 |
| TOTAL | 591,344** | 415,555 |
| Disposal of waste water* | 584,448 | 410,201 |

* As water is reused at some site (mainly in Asia) for watering green spaces, the figures for overall water consumption and disposal of waste water may differ.

** The increase results mainly from two large manufacturing locations in China and Germany being included in the data collection for the first time.

Waste from manufacturing

| (in kg) | 2017 | 2016 |
|---|-------------------|-------------------|
| Non-hazardous waste recycled | 30,492,322 | 28,516,490 |
| thereof waste metal | 29,059,382 | 27,673,251 |
| thereof waste paper and cardboard | 870,930 | 588,136 |
| thereof plastics | 562,010 | 255,103 |
| Non-hazardous waste incinerated | 5,606,045 | 4,416,316 |
| thereof waste paper and cardboard | 31,102 | 87,937 |
| thereof wood waste | 3,292,882 | 2,748,355 |
| thereof plastics | 208,740 | 110,910 |
| thereof residual waste | 1,496,064 | 1,443,414 |
| thereof other non-hazardous waste | 481,320 | 25,700 |
| thereof bulk waste | 42,140 | n.a. |
| thereof polystyrene | 1,517 | n.a. |
| thereof washing / cleaning agents residuals | 52,280 | n.a. |
| Non-hazardous waste landfill | 6,460,007 | 4,955,508 |
| thereof waste paper and cardboard | 29,325 | 91,159 |
| thereof plastics | 7,295 | 148,175 |
| thereof residual waste | 6,423,387 | 4,716,174 |
| Processing of old electrical appliances and electronic devices | 47,982 | |
| E-waste disposal | 47,982 | n.a. |
| Hazardous waste processing | 218,396 | |
| thereof lamps | 218,396 | n.a. |
| Hazardous waste incineration | 613,275 | 146,406 |
| thereof fat remover | 241,120 | |
| thereof mix of solvents | 372,137 | 146,406 |
| Hazardous waste landfill | 1,693,293 | 3,039,315 |
| thereof old paints | 277,763 | 381,174 |
| thereof other hazardous waste | 1,415,530 | 2,658,141 |
| TOTAL | 45,131,320 | 41,074,035 |

ANDRITZ AG

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Disclaimer

Certain statements contained in the 2017 annual report and in the 2017 annual financial report 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 2017 annual report and the 2017 annual financial report contain assumptions and forecasts based on the information available up to the copy deadline on February 23, 2018. If the premises for these assumptions and forecasts do not occur, or risks indicated in the chapter “Risk Management” and in the management report in the 2017 annual financial report do arise, actual results may vary from the forecasts made in the 2017 annual report and in the 2017 annual financial report. Although the greatest caution was exercised in preparing data, all information related to the future is provided without guarantee.



Jahresabschluss 2017 der ANDRITZ AG

INHALT

- Präambel
- Lagebericht ANDRITZ-GRUPPE
- Bilanz ANDRITZ AG
- Gewinn- und Verlustrechnung ANDRITZ AG
- Anhang ANDRITZ AG



Lagebericht

Präambel

Der Jahresabschluss (Einzelabschluss) der ANDRITZ AG wird nach den Bilanzierungs- und Bewertungsvorschriften des österreichischen UGB aufgestellt. Entsprechend dieser Vorschriften sind die verbundenen Unternehmen im Rahmen des Finanzanlagevermögens ausgewiesen. Dadurch ergibt sich aus dem Einzelabschluss lediglich ein Ausschnitt der wirtschaftlichen Lage für die ANDRITZ AG und ihre verbundenen Unternehmen.

Finanzielle Leistungsindikatoren der ANDRITZ AG:

Die Kennzahlen wurden entsprechend dem Fachgutachten zur Mindestausgestaltung finanzieller Leistungsindikatoren im Lagebericht berechnet.

| in MEUR bzw. in % | 2017 | 2016 |
|---|---------|---------|
| Auftragsstand | 2.441,4 | 2.706,6 |
| Umsatzerlöse | 980,9 | 1.017,6 |
| Ergebnis vor Zinsen und Steuern | 234,9 | 306,2 |
| Umsatzrentabilität | 23,9% | 30,1% |
| Eigenkapitalrentabilität | 28,8% | 37,8% |
| Gesamtkapitalrentabilität | 9,3% | 10,4% |
| Nettoverschuldung | 290,3 | 240,1 |
| Nettoumlaufvermögen | 33,3 | -247,2 |
| Eigenkapitalquote | 30,3% | 34,7% |
| Verschuldungsgrad | 37,7% | 31,3% |
| Ergebnis vor Zinsen, Steuern und Abschreibungen | 251,0 | 333,6 |

Im Geschäftsjahr 2017 wurden verglichen mit 2016 Großaufträge mit geringeren Margen abgerechnet, zudem wurden deutlich weniger Dividendenerträge erzielt, somit sind die Ergebnisse 2017 erheblich geringer als jene von 2016.



Der Netto-Geldfluss aus laufender Geschäftstätigkeit betrug in 2017 +155,4 MEUR (2016: +244,6 MEUR), jener aus der Investitionstätigkeit -19,2 MEUR (2016: -67,6 MEUR) und jener aus der Finanzierungstätigkeit +200,0 MEUR (2016: -149,2 MEUR). Der Finanzmittelbestand am Ende der Periode erhöhte sich daher von 121,8 MEUR am 31.12.2016 auf 458,0 MEUR am 31.12.2017.

Nicht-finanzielle Leistungsindikatoren der ANDRITZ AG:

Bezüglich der Themenbereiche Fertigung, Personalwesen und Umweltschutz wird auf die Ausführungen und nicht finanzielle Erklärung gemäß § 267a UGB im Konzernlagebericht verwiesen, welche auch für die ANDRITZ AG zutreffend sind. Im Bereich Forschung und Entwicklung ist die ANDRITZ AG eines von mehreren Forschungszentren in der ANDRITZ-Gruppe und in sämtlichen Geschäftsbereichen in verschiedenen Projekten tätig.

Eigene Aktien

Der Vorstand hat auf Basis einer Ermächtigung der Hauptversammlung und mit Zustimmung des Aufsichtsrats ein Aktienrückkauf- und -wiederverkaufsprogramm beschlossen, welches den Erwerb von bis zu 10.400.000 Stückaktien im Zeitraum vom 14. April 2016 bis 30. September 2018 ermöglicht. Dazu ergänzend wurde ein weiteres Aktienrückkaufprogramm beschlossen, welches den Erwerb von bis zu 2.000.000 Stückaktien im Zeitraum 11. November 2016 bis 30. September 2018 ermöglicht. Zum 31. Dezember 2017 befinden sich 2.940.870 Stückaktien in Besitz der Andritz AG, dies entspricht einem Anteil am Grundkapital in Höhe von 2,83% bzw. 2.940.870 EUR. Es ist vorgesehen, diese Aktien für die Bedienung der Optionen im Rahmen der Aktienbeteiligungsprogramme für Führungskräfte sowie für Mitarbeiterbeteiligungsaktionen zu verwenden.



Im Geschäftsjahr 2017 erworbene Stückaktien:

| Datum des Erwerbs | Anzahl der erworbenen Stückaktien | Anteil am Grundkapital in % | Anteil am Grundkapital in EUR | Gewichteter Durchschnittspreis je Aktie | Wert der rückgekauften Aktien |
|-------------------|-----------------------------------|-----------------------------|-------------------------------|---|-------------------------------|
| 4. Mai. 17 | 800 | 0,001% | 800,00 | 53,6519 | 42.921,52 |
| 5. Mai. 17 | 1.000 | 0,001% | 1.000,00 | 54,3106 | 54.310,60 |
| 8. Mai. 17 | 1.000 | 0,001% | 1.000,00 | 54,4211 | 54.421,10 |
| 9. Mai. 17 | 1.000 | 0,001% | 1.000,00 | 54,9937 | 54.993,70 |
| 10. Mai. 17 | 2.200 | 0,002% | 2.200,00 | 54,3590 | 119.589,80 |
| 11. Mai. 17 | 2.000 | 0,002% | 2.000,00 | 53,8850 | 107.770,00 |
| 12. Mai. 17 | 2.000 | 0,002% | 2.000,00 | 53,4440 | 106.888,00 |
| 25. Aug. 17 | 20.000 | 0,019% | 20.000,00 | 45,8246 | 916.492,00 |
| 28. Aug. 17 | 20.000 | 0,019% | 20.000,00 | 45,3458 | 906.916,00 |
| 29. Aug. 17 | 20.000 | 0,019% | 20.000,00 | 45,1067 | 902.134,00 |
| 30. Aug. 17 | 20.000 | 0,019% | 20.000,00 | 45,5279 | 910.558,00 |
| 31. Aug. 17 | 20.000 | 0,019% | 20.000,00 | 45,7228 | 914.456,00 |
| 1. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 46,0035 | 920.070,00 |
| 4. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 45,9509 | 919.018,00 |
| 5. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 46,2544 | 925.088,00 |
| 6. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 45,5953 | 911.906,00 |
| 7. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 46,1020 | 922.040,00 |
| 8. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 46,3949 | 927.898,00 |
| 11. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 47,1706 | 943.412,00 |
| 12. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 47,6183 | 952.366,00 |
| 13. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 47,7753 | 955.506,00 |
| 14. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 47,9918 | 959.836,00 |
| 15. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 46,9950 | 939.900,00 |
| 18. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 47,4678 | 949.356,00 |
| 19. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 47,7547 | 955.094,00 |
| 20. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 48,0171 | 960.342,00 |
| 21. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 48,2551 | 965.102,00 |
| 22. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 48,7185 | 974.370,00 |
| 25. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 48,9765 | 979.530,00 |
| 26. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 48,0991 | 961.982,00 |
| 27. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 48,6437 | 972.874,00 |
| 28. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 49,0607 | 981.214,00 |
| 29. Sep. 17 | 20.000 | 0,019% | 20.000,00 | 48,8475 | 976.950,00 |
| 13. Nov. 17 | 20.000 | 0,019% | 20.000,00 | 45,7758 | 915.516,00 |
| 14. Nov. 17 | 20.000 | 0,019% | 20.000,00 | 45,9059 | 918.118,00 |
| 15. Nov. 17 | 20.000 | 0,019% | 20.000,00 | 45,1636 | 903.272,00 |
| 16. Nov. 17 | 20.000 | 0,019% | 20.000,00 | 45,7027 | 914.054,00 |
| 17. Nov. 17 | 20.000 | 0,019% | 20.000,00 | 45,4883 | 909.766,00 |
| 20. Nov. 17 | 15.000 | 0,014% | 15.000,00 | 45,1730 | 677.595,00 |
| 21. Nov. 17 | 20.000 | 0,019% | 20.000,00 | 46,0266 | 920.532,00 |
| 22. Nov. 17 | 20.000 | 0,019% | 20.000,00 | 46,1741 | 923.482,00 |
| 23. Nov. 17 | 20.000 | 0,019% | 20.000,00 | 45,4408 | 908.816,00 |
| 24. Nov. 17 | 20.000 | 0,019% | 20.000,00 | 45,6249 | 912.498,00 |
| 27. Nov. 17 | 20.000 | 0,019% | 20.000,00 | 45,6553 | 913.106,00 |
| 28. Nov. 17 | 20.000 | 0,019% | 20.000,00 | 46,0913 | 921.826,00 |
| 29. Nov. 17 | 20.000 | 0,019% | 20.000,00 | 46,3973 | 927.946,00 |
| 30. Nov. 17 | 20.000 | 0,019% | 20.000,00 | 46,7710 | 935.420,00 |
| 1. Dez. 17 | 20.000 | 0,019% | 20.000,00 | 46,5944 | 931.888,00 |
| 4. Dez. 17 | 20.000 | 0,019% | 20.000,00 | 47,2611 | 945.222,00 |
| 5. Dez. 17 | 20.000 | 0,019% | 20.000,00 | 47,5415 | 950.830,00 |
| 6. Dez. 17 | 20.000 | 0,019% | 20.000,00 | 47,7444 | 954.888,00 |
| 7. Dez. 17 | 20.000 | 0,019% | 20.000,00 | 48,1157 | 962.314,00 |
| 11. Dez. 17 | 20.000 | 0,019% | 20.000,00 | 47,8813 | 957.626,00 |
| 12. Dez. 17 | 20.000 | 0,019% | 20.000,00 | 47,7215 | 954.430,00 |
| 13. Dez. 17 | 20.000 | 0,019% | 20.000,00 | 47,2047 | 944.094,00 |
| 14. Dez. 17 | 20.000 | 0,019% | 20.000,00 | 46,6557 | 933.114,00 |
| 15. Dez. 17 | 20.000 | 0,019% | 20.000,00 | 45,9943 | 919.886,00 |
| 18. Dez. 17 | 25.000 | 0,024% | 25.000,00 | 47,3746 | 1.184.365,00 |
| Gesamt | 1.030.000 | 0,99% | 1.030.000,00 | 46,8795 | 48.285.908,72 |



3.072 Stückaktien wurden an eine Tochtergesellschaft zu einem Kurs von 44,82 EUR je Aktie anlässlich einer Mitarbeiterbeteiligungsaktion verkauft. Der auf die verkauften Aktien entfallende Betrag des Grundkapitals ist 3.072 EUR, der Anteil am Grundkapital beträgt 0,003%. Die aus dem Verkauf erzielten Erlöse wurden zur kurzfristigen Liquiditätssteuerung verwendet.

Weiters wurden im Rahmen einer Mitarbeiterbeteiligungsaktion 25.842 Stückaktien an Mitarbeiter der Andritz AG abgegeben.

Zur besseren Einsicht in die Vermögens-, Finanz- und Ertragslage basiert der folgende Lagebericht auf dem nach IFRS erstellten Konzernabschluss.

LAGEBERICHT

WIRTSCHAFTLICHE RAHMENBEDINGUNGEN

Die Weltwirtschaft war im Jahr 2017 vom konjunkturellen Erholungskurs in den wichtigsten Wirtschaftsregionen geprägt.

In den USA setzte sich der nunmehr schon acht Jahre andauernde Wirtschaftsaufschwung fort. Das Wachstum des Bruttoinlandsprodukts (BIP) betrug im Berichtsjahr 2,3%. Wesentlicher Wachstumstreiber war der Privatkonsum, der rund 70% der gesamten US-Wirtschaftsleistung ausmacht. Die Arbeitslosigkeit ging erneut leicht zurück und erreichte mit Jahresende einen Wert von 4,1%, das niedrigste Niveau seit 17 Jahren. Aufgrund dieses positiven Konjunkturmehrfelds erhöhte die amerikanische Notenbank Federal Reserve (FED) wie erwartet Mitte Dezember zum dritten Mal im Jahr 2017 den Leitzinssatz auf eine Spanne von 1,25 bis 1,50% und signalisierte weitere Zinsanhebungen, sollte der wirtschaftliche Aufwärtstrend auch im Jahr 2018 anhalten.

Auch der Euroraum verzeichnete im Berichtszeitraum einen robusten Konjunkturaufschwung und erzielte mit 2,5% das höchste BIP-Wachstum seit zehn Jahren. Treibende Kraft des Aufschwungs ist vor allem die expansive Geld- und Niedrigzinspolitik der Europäischen Zentralbank (EZB), die den Privatkonsum und Investitionen der Industrie unterstützt. Die europäische Exportwirtschaft profitierte zudem von der guten wirtschaftlichen Lage in den Emerging Markets. Die EZB beließ den Leitzins trotz des verbesserten Konjunkturmehrfelds auf dem Rekordtief von 0,0%, kündigte jedoch an, ab Januar 2018 das monatliche Anleihenkaufprogramm auf 30 Milliarden Euro zu halbieren.

Die Konjunktorentwicklung in den wichtigsten aufstrebenden Ländern war im Berichtszeitraum ebenso wie in den USA und Europa positiv. Chinas Wirtschaftswachstum erreichte im abgelaufenen Jahr rund 6,9%. Maßgeblich dazu beigetragen haben sowohl der Privatkonsum als auch die Exporte. Die Industrieproduktion blieb auf einem anhaltend stabilen Niveau. Russlands Wirtschaft hat sich – nach zwei Jahren in der Rezession und trotz der Sanktionen der westlichen Welt – im Jahr 2017 mit einem Wachstum von rund 1,8% wieder erholt. Brasilien profitierte ebenfalls wie Russland von den anziehenden Rohstoffpreisen und konnte die Rezessionsphase nach langer Zeit überwinden.

Quellen: Research-Berichte verschiedener Banken, OECD

MARKTENTWICKLUNG

Hydro

Die weltweite Investitions- und Projektaktivität für elektromechanische Ausrüstungen für Wasserkraftwerke war auch im Geschäftsjahr 2017 unverändert verhalten – selektiv wurden einzelne Projekte in Asien, Europa und Nordamerika vergeben. Bedingt durch die anhaltend schwierigen Marktbedingungen, die von niedrigen Strom- und Energiepreisen geprägt sind, wurden viele Modernisierungs- und Rehabilitationsprojekte, vor allem in Europa, bis auf Weiteres verschoben. In den Emerging Markets, insbesondere in Asien, Afrika und Südamerika, befinden sich einige neue Wasserkraftwerksprojekte in der Planungsphase. Im Bereich Pumpen wurde eine insgesamt gute Projektaktivität verzeichnet. Vor allem in Asien – und hier insbesondere in Indien – wurden einige größere Aufträge für Spezialpumpen vergeben.

Pulp & Paper

Der internationale Zellstoffmarkt entwickelte sich im Geschäftsjahr 2017 positiv und setzte damit seinen Aufwärtstrend der Vorjahre fort. Angesichts einer anhaltend hohen Zellstoffnachfrage – insbesondere von chinesischen Papierproduzenten – bei gleichzeitig stabilem Angebot stieg der Preis für Kurzfasierzellstoff (Eukalyptus) von rund 650 US-Dollar je Tonne zu Jahresbeginn auf rund 980 US-Dollar je Tonne per ultimo 2017. Der Preis für Langfasierzellstoff NBSK (Northern Bleached Softwood Kraft) erhöhte sich ebenfalls von rund 810 US-Dollar je Tonne per Ende Dezember 2016 auf rund 1.000 US-Dollar je Tonne per ultimo Dezember 2017. Der Markt für Zellstoffausrüstungen verzeichnete im Berichtszeitraum eine insgesamt gute Projektaktivität.

Metals

Im Bereich Metallumformung (Pressen, Pressenlinien) für die Automobil- und Automobilzulieferindustrie (Schuler) wurde bei den sogenannten „High-Premium-Automobilherstellern“ eine insgesamt moderate Projekt- und Investitionsaktivität verzeichnet. Es kam nur selektiv zu einzelnen Auftragsvergaben. Weiterhin erfreulich entwickelte sich die Projekt- und Investitionsaktivität am von Yadon bedienten Marktsegment in der chinesischen Automobilzulieferindustrie.

Die Projektaktivität für Ausrüstungen zur Herstellung und Verarbeitung von Bändern aus Edel- und Kohlenstoffstahl stieg im Berichtszeitraum – allerdings ausgehend vom sehr niedrigen Niveau der letzten Jahre – leicht an. Haupttreiber für die Investitionen waren die international steigenden Stahlpreise und die damit einhergehende verbesserte wirtschaftliche Lage vieler Stahlproduzenten. Das Wettbewerbsumfeld am Ausrüstungsmarkt blieb jedoch trotz der etwas besseren Marktbedingungen unverändert herausfordernd.

Separation

Der weltweite Markt für Ausrüstungen zur Fest-Flüssig-Trennung verzeichnete 2017 eine insgesamt gute Entwicklung. Insbesondere die Bereiche Umwelt und Bergbau zeigten eine gute Projektaktivität. Auch die Nachfrage in der chemischen und pharmazeutischen Industrie war zufriedenstellend. Lediglich in der Lebensmittelindustrie blieb die Investitionsaktivität unverändert gering. Im Bereich Feed Technologies (Anlagen zur Produktion von Tierfutter- und Biomassepellets) war die Projektaktivität moderat.

GESCHÄFTSENTWICKLUNG

Veränderung des Konsolidierungskreises

Informationen zum Konsolidierungskreis sind im Konzernanhang Kapitel „C) Konsolidierungskreis“ ersichtlich.

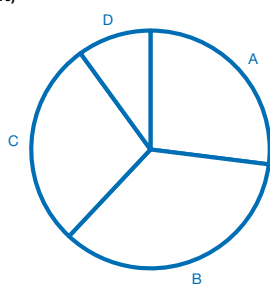
Umsatz

Der Umsatz der ANDRITZ-GRUPPE im Geschäftsjahr 2017 betrug 5.889,1 MEUR und lag damit geringfügig unter dem Vorjahresvergleichswert (2016: 6.039,0 MEUR). Der Geschäftsbereich Hydro verzeichnete einen deutlichen Umsatzrückgang (-9,7%), was insbesondere auf den rückläufigen Auftragseingang der letzten Jahre und die damit verbundene niedrigere Umsatzgenerierung zurückzuführen ist. Ebenso war der Umsatz im Geschäftsbereich Pulp & Paper im Vergleich zum Vorjahr leicht rückläufig (-1,7%), das vor allem durch die Abarbeitung eines Großauftrags für ein neues Zellstoffwerk positiv beeinflusst worden war. Die Geschäftsbereiche Metals (+2,8%) und Separation (+1,5%) verzeichneten im Jahresvergleich dagegen einen leichten Umsatzanstieg. Die Umsatzentwicklung der Geschäftsbereiche im Überblick:

| | Einheit | 2017 | 2016 | +/- |
|--------------|---------|---------|---------|-------|
| Hydro | MEUR | 1.583,1 | 1.752,4 | -9,7% |
| Pulp & Paper | MEUR | 2.059,7 | 2.094,4 | -1,7% |
| Metals | MEUR | 1.643,5 | 1.598,4 | +2,8% |
| Separation | MEUR | 602,8 | 593,8 | +1,5% |

Umsatz nach Geschäftsbereichen
2017 in %

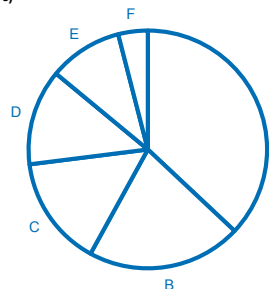
(2016)



| | | |
|---|----------------|--------------|
| A | 27 (29) | Hydro |
| B | 35 (35) | Pulp & Paper |
| C | 28 (26) | Metals |
| D | 10 (10) | Separation |

Umsatz nach Regionen
2017 in %

(2016)



| | | |
|---|----------------|--------------------|
| A | 37 (35) | Europa |
| B | 21 (21) | Nordamerika |
| C | 15 (12) | China |
| D | 13 (12) | Asien (ohne China) |
| E | 10 (15) | Südamerika |
| F | 4 (5) | Afrika, Australien |

Anteil Serviceumsatz am Umsatz der Gruppe und der Geschäftsbereiche in %

| | 2017 | 2016 |
|----------------|------|------|
| ANDRITZ-GRUPPE | 34 | 32 |
| Hydro | 29 | 26 |
| Pulp & Paper | 42 | 41 |
| Metals | 24 | 22 |
| Separation | 47 | 46 |

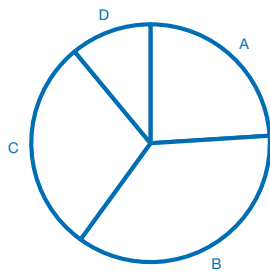
Auftragseingang

Der Auftragseingang der Gruppe betrug 5.579,5 MEUR und war damit praktisch unverändert gegenüber dem Vorjahresvergleichswert (2016: 5.568,8 MEUR). Die Entwicklung der Geschäftsbereiche im Detail:

- Hydro: Angesichts unverändert schwieriger Marktbedingungen – bedingt durch die niedrigen Strompreise, vor allem in Europa – lag der Auftragseingang mit 1.317,2 MEUR deutlich unter dem – bereits niedrigen – Vorjahresvergleichswert (-12,2% versus 2016: 1.500,3 MEUR).
- Pulp & Paper: Der Auftragseingang entwickelte sich – sowohl im Bereich Neuanlagen als auch im Bereich Service sehr zufriedenstellend und erhöhte sich auf 2.033,4 MEUR (+5,9% versus 2016: 1.919,5 MEUR).
- Metals: Mit 1.606,5 MEUR lag der Auftragseingang um 3,5% über dem Vorjahresvergleichswert (2016: 1.551,5 MEUR). Während der Bereich Metals Processing den Auftragseingang im Jahresvergleich deutlich steigern konnte, lag der Bereich Metallumformung für die Automobil- und Automobilzulieferindustrie (Schuler) etwas unter dem Niveau des Vorjahresvergleichszeitraums.
- Separation: Der Auftragseingang verzeichnete mit 622,4 MEUR eine erfreuliche Entwicklung (+4,2% versus 2016: 597,5 MEUR). Sehr positiv entwickelte sich der Bereich Fest-Flüssig-Trennung, der den Auftragseingang im Jahresvergleich deutlich steigern konnte und somit den rückläufigen Auftragseingang im Bereich Feed Technologies überkompensierte.

Auftragseingang nach Geschäftsbereichen
2017 in %

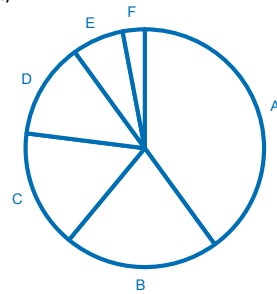
(2016)



| | | |
|---|----------------|--------------|
| A | 24 (27) | Hydro |
| B | 36 (34) | Pulp & Paper |
| C | 29 (28) | Metals |
| D | 11 (11) | Separation |

Auftragseingang nach Regionen
2017 in %

(2016)



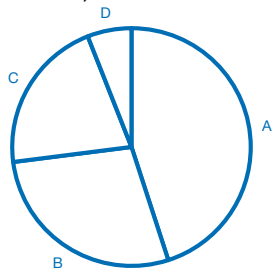
| | | |
|---|----------------|--------------------|
| A | 40 (41) | Europa |
| B | 21 (20) | Nordamerika |
| C | 16 (16) | China |
| D | 13 (11) | Asien (ohne China) |
| E | 7 (8) | Südamerika |
| F | 3 (4) | Afrika, Australien |

Auftragsstand

Der Auftragsstand der ANDRITZ-GRUPPE per 31. Dezember 2017 betrug 6.383,0 MEUR (-6,0% versus 31. Dezember 2016: 6.789,2 MEUR).

Auftragsstand nach Geschäftsbereichen
per 31. Dezember 2017 in %

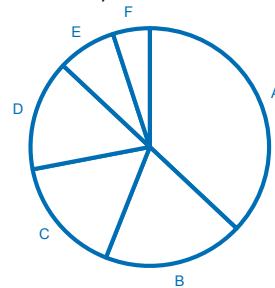
(31. Dezember 2016)



| | | |
|---|----------------|--------------|
| A | 45 (48) | Hydro |
| B | 28 (27) | Pulp & Paper |
| C | 21 (20) | Metals |
| D | 6 (5) | Separation |

Auftragsstand nach Regionen
per 31. Dezember 2017 in %

(31. Dezember 2016)



| | | |
|---|----------------|--------------------|
| A | 37 (34) | Europa |
| B | 19 (19) | Asien (ohne China) |
| C | 16 (17) | Nordamerika |
| D | 15 (14) | China |
| E | 8 (10) | Südamerika |
| F | 5 (6) | Afrika, Australien |

Ergebnis

Das EBITA der Gruppe betrug 444,0 MEUR und erreichte trotz des leichten Umsatzrückgangs praktisch das Niveau des Vorjahresvergleichswerts (2016: 442,1 MEUR). Positiv beeinflusst wurde dies unter anderem durch den Verkauf des Schuler-Technikzentrums in Tianjin, China, welches im Jahr 2014 in Betrieb genommen wurde und seither erfolgreich entwickelt werden konnte. Die Rentabilität (EBITA-Marge) erhöhte sich auf 7,5% (2016: 7,3%). Das um Sondereffekte bereinigte EBITA der Gruppe hätte 420,4 MEUR bzw. die Rentabilität 7,1% betragen. Die Entwicklung der Rentabilität nach Geschäftsbereichen:

- Die EBITA-Marge im Geschäftsbereich Hydro erreichte mit 7,8% trotz Umsatzrückgangs ein zufriedenstellendes Niveau (2016: 7,3%).
- Im Geschäftsbereich Pulp & Paper stieg die Rentabilität auf 9,5% und erreichte wie auch schon im Vorjahr ein sehr erfreuliches Niveau (2016: 8,7%), wobei sich sowohl der Bereich Neuanlagen als auch der Bereich Service sehr positiv entwickelten.
- Die EBITA-Marge im Geschäftsbereich Metals lag mit 6,0% trotz des oben genannten Sondereffekts unter dem Vorjahresniveau (2016: 7,2%). Dies ist auf Kostenüberschreitungen bei einigen Projekten im Bereich Metals Processing zurückzuführen.
- Im Geschäftsbereich Separation stieg die EBITA-Marge auf 4,6% (2016: 2,9%).

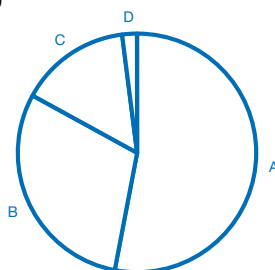
Konzern-Gewinn- und Verlustrechnung

| (in MEUR) | 2017 | 2016 | +/- |
|---|----------------|----------------|---------------|
| Umsatz | 5.889,0 | 6.039,0 | -2,5% |
| Veränderung des Bestands an fertigen und unfertigen Erzeugnissen und aktivierte Eigenleistungen | 38,6 | 13,7 | +181,8% |
| Sonstige betriebliche Erträge | 188,4 | 77,5 | +143,1% |
| Materialaufwand | -3.028,8 | -3.121,4 | +3,0% |
| Personalaufwand | -1.717,8 | -1.656,6 | -3,7% |
| Sonstige betriebliche Aufwendungen | -827,7 | -809,8 | -2,2% |
| EBITDA | 541,7 | 542,4 | -0,1% |
| Abschreibungen und Wertminderungen von immateriellen Vermögenswerten und Sachanlagen | -136,0 | -142,2 | +4,4% |
| Wertminderung Geschäfts- oder Firmenwerte | -6,4 | -14,4 | +55,6% |
| EBIT | 399,3 | 385,8 | +3,5% |
| Finanzergebnis | 1,3 | 12,6 | -89,7% |
| EBT | 400,6 | 398,4 | +0,6% |
| Ertragsteuern | -135,0 | -123,6 | -9,2% |
| KONZERNERGEBNIS | 265,6 | 274,8 | -3,3% |
| Davon entfallen auf: | | | |
| Gesellschafter der Muttergesellschaft | 263,0 | 274,6 | -4,2% |
| Nicht beherrschende Anteile | 2,6 | 0,2 | +1.200,0% |
| Unverwässertes Ergebnis je nennwertloser Stückaktie (in EUR) | 2,58 | 2,69 | -4,1% |

Anteil individueller Aufwendungen am betrieblichen Gesamtaufwand der Gruppe in %

**Aufwandstruktur
2017 in %**

(2016)



| | | |
|---|----------------|------------------------------------|
| A | 53 (54) | Materialaufwand |
| B | 30 (29) | Personalaufwand |
| C | 15 (14) | Sonstige betriebliche Aufwendungen |
| D | 2 (3) | Abschreibungen |

53,0% der gesamten betrieblichen Aufwendungen entfielen 2017 auf den Materialaufwand (2016: 54,4%) die Materialtangente (Anteil des Materialaufwands am Umsatz) betrug 51,4% (2016: 51,7%). Der Anteil des Personalaufwands lag mit 30,1% leicht über dem Vorjahresniveau (2016: 28,9%), die Personaltangente (Anteil des Personalaufwands am Umsatz) lag bei 29,2% (2016: 27,4%).

Die sonstigen betrieblichen Aufwendungen betragen im Berichtszeitraum 827,7 MEUR (2016: 809,8 MEUR) und umfassen vor allem Aufwendungen für Vertrieb, Reisen, Reparaturen und Instandhaltungen sowie für Miete und Leasing. Die sonstigen betrieblichen Erträge lagen mit 188,4 MEUR deutlich über dem Vorjahresniveau (2016: 77,5 MEUR) und inkludieren vor allem Gewinne aus dem Abgang von immateriellen Vermögenswerten und Sachanlagen (im Wesentlichen aus dem Verkauf des Schuler-Technikzentrums in Tianjin, China, und aus Liegenschaftsverkäufen in Deutschland und der Schweiz), Erträge aus Versicherungsleistungen sowie öffentliche Zuwendungen.

Die Abschreibungen und Wertminderungen von immateriellen Vermögenswerten und Sachanlagen betragen 2017 136,0 MEUR (2016: 142,2 MEUR), wovon 42,8 MEUR (2016: 48,7 MEUR) auf Abschreibungen von immateriellen Vermögenswerten und 86,7 MEUR (2016: 91,2 MEUR) auf Abschreibungen von Sachanlagen entfielen.

2017 wurden für die Gruppe eine Wertminderung auf Geschäfts- oder Firmenwerte in Höhe von 6,4 MEUR (2016: 14,4 MEUR) sowie eine Wertminderung für immaterielle Vermögenswerte und Sachanlagen in Höhe von 6,4 MEUR erfasst (2016: 8,0 MEUR). Die Wertminderung auf Geschäfts- oder Firmenwerte ist den Geschäftsbereichen Hydro (5,9 MEUR) und Separation (0,5 MEUR) zuzuordnen, da sich der Geschäftsverlauf einiger Tochtergesellschaften nicht wie erwartet entwickelte. Die Wertminderung für immaterielle Vermögenswerte und Sachanlagen betrifft im Wesentlichen Gebäude, technische Anlagen und Maschinen.

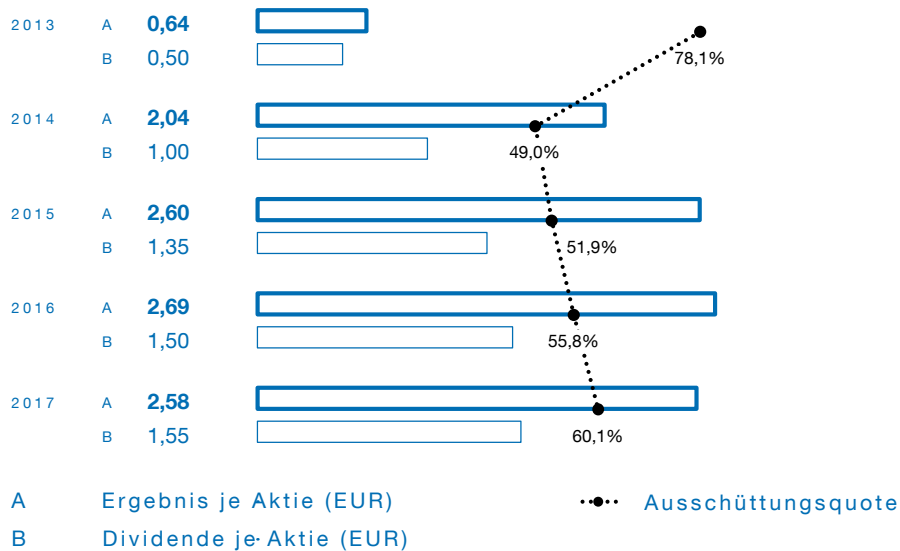
Das Finanzergebnis reduzierte sich deutlich auf 1,3 MEUR (2016: 12,6 MEUR). Dies ist im Wesentlichen auf das im Jahresvergleich stark gefallene Zinsniveau in Brasilien sowie die Aufnahme eines Schuldscheindarlehnens im Juni 2017 zurückzuführen. Darüber hinaus erhöhte sich der Zinsaufwand durch die Verzinsung der Kaufoption für die restlichen Anteile an Yadon. Die Verbesserung des sonstigen Finanzergebnisses – im Vergleich zum Vorjahreszeitraum – ist hauptsächlich auf Gewinne aus der Veräußerung von Wertpapieren sowie auf die stichtagsbezogene Bewertung von konzerninternen Darlehen und Bankguthaben in Fremdwährung zurückzuführen.

Die Steuerquote erhöhte sich unter anderem aufgrund von Änderungen der Wertberichtigungen bzw. der Nichtaktivierung von aktiven latenten Steuern sowie aufgrund der Steuerreform in den USA auf 33,7% (2016: 31,0%); siehe dazu auch Konzernanhang Kapitel „G) 8. Ertragsteuern“.

Das Konzernergebnis (vor Abzug von nicht beherrschenden Anteilen) betrug 265,6 MEUR (-3,3% versus 2016: 274,8 MEUR), wovon 263,0 MEUR (2016: 274,6 MEUR) auf die Gesellschafter der Muttergesellschaft und 2,7 MEUR (2016: 0,2 MEUR) auf nicht beherrschende Anteile entfielen. Siehe dazu auch Konzernanhang Kapitel „I) 23. Eigenkapital“.

Das Ergebnis je Aktie reduzierte sich auf 2,58 EUR (2016: 2,69 EUR). Bei der Hauptversammlung am 23. März 2018 wird der Vorstand für das Geschäftsjahr 2017 eine Erhöhung der Dividende auf 1,55 EUR je Aktie vorschlagen (2016: 1,50 EUR). Dies entspricht einer Ausschüttungsquote von rund 60,1% (2016: rund 55,8%).

Ergebnis und Dividende je Aktie/Ausschüttungsquote



Dividende für 2017: Vorschlag an die Hauptversammlung.

Eigene Aktien

Zum 31. Dezember 2017 hat die Gesellschaft 2.940.870 eigene Aktien bzw. 2,8% des Grundkapitals mit einem Marktwert von 138,5 MEUR gehalten.

Weitere Informationen zu eigenen Aktien sind im Konzernanhang Kapitel „I) Erläuterungen zur Konzernbilanz“ ersichtlich.

Vermögens- und Kapitalstruktur

Die Vermögens- und Kapitalstruktur per 31. Dezember 2017 war unverändert solide. Die Bilanzsumme betrug 6.265,3 MEUR (31. Dezember 2016: 6.198,6 MEUR), die Eigenkapitalquote 21,2% (31. Dezember 2016: 21,7%).

Die Bruttoliquidität betrug 1.772,3 MEUR (per ultimo 2016: 1.507,1 MEUR), die Nettoliquidität 908,0 MEUR (per ultimo 2016: 945,3 MEUR). Der Anstieg der Bruttoliquidität ist im Wesentlichen auf die Aufnahme eines fixverzinsten, langfristigen Schulscheindarlehens mit einem Volumen von 400 MEUR im Juni 2017 zurückzuführen.

Entwicklung der Brutto- und Nettoliquidität

| | | | |
|------|---|---------|--|
| 2013 | A | 1.517,0 | |
| | B | 893,1 | |
| 2014 | A | 1.701,6 | |
| | B | 1.065,1 | |
| 2015 | A | 1.449,4 | |
| | B | 984,0 | |
| 2016 | A | 1.507,1 | |
| | B | 945,3 | |
| 2017 | A | 1.772,3 | |
| | B | 908,0 | |

A Bruttoliquidität (MEUR)

B Nettoliquidität (MEUR)

Zusätzlich zur hohen Liquidität standen der ANDRITZ-GRUPPE per Jahresende 2017 folgende Kredit- und Avallinien für Vertragserfüllungen, Anzahlungen, Gewährleistungen etc. zur Verfügung:

- Kreditlinien: 131 MEUR, davon 99 MEUR ausgenutzt
- Avallinien: 6.074 MEUR, davon 2.571 MEUR ausgenutzt

Aktiva



| | | |
|---|--|--------------|
| A | Langfristiges Vermögen: 30% | 1.860,8 MEUR |
| B | Sonstiges kurzfristiges Vermögen: 44% | 2.767,2 MEUR |
| C | Flüssige Mittel und Veranlagungen: 26% | 1.637,3 MEUR |

Passiva



| | | |
|---|---|--------------|
| A | Summe Eigenkapital inkl. nicht beherrschende Anteile: 21% | 1.325,4 MEUR |
| B | Finanzverbindlichkeiten: 14% | 873,8 MEUR |
| C | Sonstige langfristige Schulden: 12% | 773,9 MEUR |
| D | Sonstige kurzfristige Schulden: 53% | 3.292,2 MEUR |

Auf der Aktivseite waren per 31. Dezember 2017 Sachanlagen (762,3 MEUR), Geschäfts- oder Firmenwerte (547,6 MEUR) und immaterielle Vermögenswerte (160,7 MEUR) die bedeutendsten Positionen im Bereich des langfristigen Vermögens (1.860,8 MEUR). Zu den wichtigsten Positionen des sonstigen kurzfristigen Vermögens von 2.767,2 MEUR zählen Forderungen aus Lieferungen und Leistungen sowie Forderungen aus Aufträgen

(1.491,5 MEUR), die nach der Percentage-of-Completion-Methode (Umsatz- und Ergebnisrealisierung nach Projektfortschritt) bilanziert werden, sowie Vorräte (761,0 MEUR).

Passivseitig inkludieren die sonstigen kurzfristigen Schulden (3.292,2 MEUR) vor allem erhaltene An- und Teilzahlungen aus ebenfalls nach der Percentage-of-Completion-Methode bilanzierten Aufträgen (1.052,6 MEUR), Rückstellungen (484,1 MEUR) sowie Verbindlichkeiten aus Lieferungen und Leistungen (461,2 MEUR). In den sonstigen Verbindlichkeiten (943,0 MEUR) sind Abgrenzungen und ausstehende auftragsbezogene Kosten (482,0 MEUR) sowie Urlaubsverpflichtungen und sonstige Personalverbindlichkeiten (234,4 MEUR) die bedeutendsten Positionen. Die sonstigen langfristigen Schulden von insgesamt 773,9 MEUR beinhalten im Wesentlichen Rückstellungen (582,1 MEUR) und passive latente Steuern (87,9 MEUR).

Weitere Informationen zu Rückstellungen sind im Konzernanhang Kapitel „I) Erläuterungen zur Konzernbilanz“ ersichtlich.

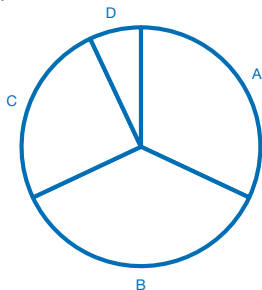
Investitionen

Die Investitionen in materielle und immaterielle Vermögensgegenstände betragen 2017 116,8 MEUR und lagen damit leicht unter dem Niveau des Vorjahrs (2016: 119,5 MEUR). Die Investitionen verteilen sich wie folgt auf die Geschäftsbereiche:

Investitionen nach Geschäftsbereichen

2017 in %

(2016)

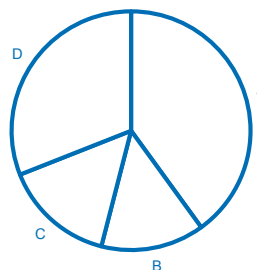


| | | | |
|---|-----------|------|--------------|
| A | 32 | (21) | Hydro |
| B | 36 | (29) | Pulp & Paper |
| C | 25 | (41) | Metals |
| D | 7 | (9) | Separation |

Investitionen nach Kategorien

2017 in %

(2016)



| | | | |
|---|-----------|------|---------------------------|
| A | 40 | (39) | Fertigung |
| B | 14 | (11) | IT |
| C | 15 | (10) | Forschung und Entwicklung |
| D | 31 | (40) | Übrige |

Die Investitionsschwerpunkte betrafen – wie in den Vorjahren – insbesondere Modernisierungen von Fertigungsstätten sowie vereinzelte Erweiterungsinvestitionen. Bei den Neuinvestitionen ist der Bau des Tissue Innovation & Application Center (TIAC) sowie die Sanierung des Bürogebäudes der ANDRITZ AG am Standort Graz, Österreich, nennenswert.

Cashflow

Der Cashflow aus betrieblicher Tätigkeit betrug 246,5 MEUR und lag damit deutlich unter dem Vorjahresvergleichswert (2016: 366,6 MEUR). Die Veränderung ist vor allem auf den Rückgang des Cashflows aus dem Ergebnis sowie höheren gezahlten Ertragsteuern zurückzuführen.

Der Cashflow aus Investitionstätigkeit betrug -544,0 MEUR (2016: -239,6 MEUR). Die starke Veränderung resultiert hauptsächlich aus höheren Auszahlungen für Wertpapiere und andere kurzfristige finanzielle Vermögenswerte.

Der Cashflow aus Finanzierungstätigkeit betrug 134,5 MEUR (2016: -123,2 MEUR). Die Veränderung resultiert im Wesentlichen aus der Begebung eines Schuldscheindarlehens im Juni 2017 (Nominale: 400 MEUR).

Weitere wichtige Kennzahlen im Überblick

| | Einheit | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---------|--------|--------|--------|--------|--------|
| Umsatzrendite | % | 6,8 | 6,4 | 5,8 | 5,0 | 1,6 |
| EBITDA | MEUR | 541,7 | 542,4 | 534,7 | 472,0 | 255,2 |
| Ergebnis vor Zinsen und Steuern (EBIT) | MEUR | 399,3 | 385,8 | 369,1 | 295,7 | 89,8 |
| Ergebnis vor Steuern (EBT) | MEUR | 400,6 | 398,4 | 376,4 | 299,4 | 80,3 |
| Konzernergebnis (vor Abzug von nicht beherrschenden Anteilen) | MEUR | 265,6 | 274,8 | 270,4 | 210,0 | 53,2 |
| Free Cashflow | MEUR | 129,7 | 263,7 | 85,0 | 245,8 | -11,5 |
| Free Cashflow je Aktie | EUR | 1,2 | 2,5 | 0,8 | 2,4 | -0,1 |
| Eigenkapitalrentabilität | % | 30,2 | 29,6 | 31,0 | 28,8 | 8,6 |
| Gesamtkapitalrentabilität | % | 6,4 | 6,2 | 6,4 | 4,9 | 1,6 |
| Nettoverschuldung | MEUR | -530,6 | -550,2 | -601,6 | -659,4 | -585,0 |
| Nettoumlaufvermögen | MEUR | -121,0 | -215,8 | -182,1 | -570,9 | -539,4 |
| Capital employed | MEUR | 801,9 | 772,2 | 736,7 | 387,0 | 443,6 |
| Verschuldungsgrad | % | -40,0 | -40,9 | -49,5 | -63,5 | -62,9 |

Akquisitionen

Die ANDRITZ-GRUPPE hat 100% an der Paperchine, Inc., USA, samt Tochtergesellschaften erworben. Das Unternehmen beschäftigt insgesamt rund 180 Mitarbeiter und verfügt über Niederlassungen in den USA, Kanada, Thailand und Deutschland. Paperchine ist ein globaler Lieferant hochwertiger Komponenten und Serviceleistungen für führende Produzenten in der Papierindustrie. Der Erwerb von Paperchine stärkt die Präsenz von ANDRITZ in Nordamerika und fügt zum Produktangebot für internationale Kunden neue Produkte wie den horizontalen GapFormer, den SigmaPro-Stoffauflauf, Entwässerungssysteme (ehemals Johnson Foils), Befeuchtungseinrichtungen (ehemals VIB) und die dazugehörigen Serviceleistungen hinzu. Diese Akquisition erweitert das Produktportfolio des Geschäftsbereichs Pulp & Paper. Das Closing der Transaktion fand Ende Juni 2017 statt.

Im April 2017 erwarb die ANDRITZ-GRUPPE 50,1% an dem Laserhersteller Powerlase Holdings Limited, Crawley, Großbritannien, samt Tochtergesellschaften. Das Hightech-Unternehmen beliefert neben dem Geschäftsbereich Metals internationale Kunden aus der Photovoltaik-, Mikroelektronik-, Automobil- sowie Luft- und Raumfahrtindustrie. Diese Akquisition erweitert das Produktportfolio des Geschäftsbereichs Metals. Aufgrund der untergeordneten Bedeutung für die Vermögens-, Finanz- und Ertragslage wurde auf die Einbeziehung dieser Gesellschaften verzichtet.

Weitere Informationen zu Akquisitionen sind im Konzernanhang Kapitel „D) Akquisitionen“ ersichtlich.

RISIKOMANAGEMENT

Die ANDRITZ-GRUPPE ist ein global agierendes Unternehmen, das eine Vielzahl verschiedenster industrieller Märkte und Kunden beliefert. Als solches ist die Gruppe einer Reihe von Risiken ausgesetzt. Zu den wesentlichen übergeordneten Risiken gehören:

- Risiken in Verbindung mit Finanzinstrumenten
- Strategische Risiken
- Operative Risiken

Das von der ANDRITZ-GRUPPE schon seit vielen Jahren durchgeführte aktive Risikomanagement dient sowohl der langfristigen Sicherung des Unternehmensbestands als auch der Wertsteigerung und stellt somit einen wesentlichen Erfolgsfaktor für die gesamte Gruppe dar. Im Sinne einer wertorientierten Unternehmensführung ist Risikomanagement integrierter Bestandteil der Geschäftsprozesse und erstreckt sich über sämtliche strategische und operative Ebenen.

Ein integraler Bestandteil der Risikoüberwachung und -steuerung ist der Planungs- und Controlling Prozess innerhalb der gesamten ANDRITZ-GRUPPE. Kontinuierliches Controlling und regelmäßiges Reporting sollen die Wahrscheinlichkeit erhöhen, dass größere Risiken früh erkannt und wenn notwendig Gegenmaßnahmen getroffen werden können. Dennoch gibt es keine Garantie dafür, dass die Überwachungs- und Risikokontrollsysteme ausreichend und effektiv genug sind.

Die aktuellen politischen Spannungen zwischen den USA und Nordkorea könnten sich bei einer weiteren Eskalation negativ auf die Weltkonjunktur und damit auch auf die Entwicklung des Auftragseingangs der ANDRITZ-GRUPPE auswirken. Die mittel- bis langfristigen wirtschaftlichen Auswirkungen des Austritts Großbritanniens aus der Europäischen Union sind derzeit noch nicht abschätzbar, der Einfluss wird aber nach Einschätzung von Wirtschaftsforschern als eher gering eingestuft. Sollte sich das Wirtschaftswachstum in Europa als Folge des Brexit doch deutlich verringern, so könnte dies einen negativen Einfluss auf die Geschäftsentwicklung der ANDRITZ-GRUPPE haben, da Europa mit durchschnittlich 35 bis 40% Anteil am Gesamtumsatz die wichtigste Wirtschaftsregion für die ANDRITZ-GRUPPE darstellt. Das direkte Geschäftsvolumen der ANDRITZ-GRUPPE in Großbritannien ist jedoch gering.

Die mittel- bis langfristigen Auswirkungen der Trump-Administration auf die Weltwirtschaft sind zum jetzigen Zeitpunkt noch nicht abschätzbar. ANDRITZ verfügt in den USA über eine starke lokale Präsenz mit über 20 Produktions- und Servicestandorten und knapp 2.000 Mitarbeitern. Alle vier Geschäftsbereiche sind in den USA vertreten. Aus heutiger Sicht sind die Auswirkungen auf ANDRITZ als nicht wesentlich einzustufen. Sollten jedoch weitere regulatorische Maßnahmen erfolgen, die nicht-amerikanische Unternehmen negativ betreffen, dann könnten die Auswirkungen auf ANDRITZ doch wesentlich sein.

Die nachfolgend beschriebenen Risiken der ANDRITZ-GRUPPE werden laufend überwacht. ANDRITZ ist bereit, darauf zu reagieren und entgegenzusteuern.

Risiken in Verbindung mit Finanzinstrumenten

Zu den wesentlichen finanziellen Risiken zählen Ausfallrisiken, Liquiditätsrisiken und Marktrisiken, wie zum Beispiel Währungsrisiken, Zinsänderungsrisiken und Rohstoffpreisrisiken.

Eine detaillierte Darstellung sämtlicher finanzieller Risiken der ANDRITZ-GRUPPE ist im Konzernanhang Kapitel „L) Risikomanagement – Risiken in Verbindung mit Finanzinstrumenten“ ersichtlich.

Strategische Risiken

Politische Risiken

Der Konzern ist unter anderem in Ländern tätig, die als politisch riskant oder sehr riskant einzustufen sind. Unterbrechungen von Aufträgen könnten die Folge terroristischer Aktivitäten oder politischer Veränderungen sein. Das Risiko für Lieferungen in als politisch durchschnittlich riskant oder sehr riskant eingestufte Länder wird üblicherweise umfassend versichert. Nicht immer sind jedoch die Voraussetzungen für eine vollständige Absicherung gegeben. Die diesbezüglichen Maßnahmen und Vorgehensweisen sind in der konzernweit gültigen Credit Risk-Policy geregelt.

Regulatorische Risiken

Regulatorische Risiken beinhalten sowohl steuerliche als auch Compliance-Risiken.

Die ANDRITZ-Gesellschaften sind in den jeweiligen Ländern lokalen Steuergesetzen unterworfen und müssen sowohl Ertragsteuern als auch andere Steuern bezahlen. Änderungen in der Steuergesetzgebung bzw. unterschiedliche Auslegungen der jeweils geltenden Bestimmungen können zu nachträglichen Steuerbelastungen führen. Dementsprechend kann die Steuerquote etwaigen positiven oder negativen Schwankungen ausgesetzt sein.

In Österreich und in anderen Ländern, in denen die ANDRITZ-GRUPPE tätig ist, ist eine Reihe von rechtlichen Compliance-Bestimmungen, inklusive kartellrechtlicher Bestimmungen und Antikorruptionsgesetze, einzuhalten. Die Gruppe hat ein Compliance-Komitee zur Überwachung der Compliance-Tätigkeiten eingerichtet sowie eine Reihe interner Richtlinien festgelegt, darunter geltende Richtlinien zur Verhinderung von Insider-Trading, von Verstößen gegen Kartellgesetze und Antikorruptionsgesetze sowie einen Kodex über Geschäftsverhalten und Geschäftsethik. Zwar ist die Gruppe bestrebt, die Einhaltung dieser Richtlinien durch eine Vielzahl von Maßnahmen sicherzustellen, doch gibt es keine Garantie, dass es nicht zu Verstößen kommen wird oder gekommen ist. Derartige Verstöße könnten die Finanzlage und den Ruf der Gruppe nachhaltig schädigen bzw. auch zu Stornierungen von bestehenden Aufträgen führen.

Wettbewerbsposition

Die ANDRITZ-GRUPPE agiert in sehr wettbewerbsintensiven Märkten, in denen einige wenige große Anbieter um einige wenige Großaufträge bieten. Darüber hinaus gibt es lokal eine Vielzahl von kleinen konkurrierenden Unternehmen, die über eine vergleichsweise niedrige Kostenbasis verfügen. Diese Wettbewerbssituation oder eine mögliche Änderung der Wettbewerbsstruktur können sich negativ auf die Umsatzmargen der Gruppe auswirken. Es gibt keine Garantie dafür, dass die Gruppe ihre derzeitige Marktposition auch in Zukunft halten kann.

Da die Wettbewerbsposition der Gruppe auch auf proprietären Technologien beruht, kann die durch das digitale Zeitalter begünstigte Zunahme von Produktpiraterie und Industriespionage und der damit einhergehende Diebstahl von geistigem Eigentum ebenfalls negative Auswirkungen auf die Wettbewerbsposition der Gruppe haben.

Die Gruppe schützt wo immer möglich ihr geistiges Eigentum, es gibt allerdings keine Garantie, dass dies immer ausreichend gelingt.

Kundenkonzentration

In vielen Abnehmerindustrien der ANDRITZ-GRUPPE ist ein Trend zu Firmenzusammenschlüssen erkennbar. Dies trifft insbesondere auf die Zellstoff- und Papierindustrie sowie die Stahlindustrie zu. Solche Zusammenschlüsse könnten dazu führen, dass die Gruppe in Zukunft einer kleineren Anzahl von Kunden mit größerer Kaufkraft gegenübersteht. Die Abhängigkeit von einzelnen Schlüsselkunden könnte steigen, was auch direkte Auswirkungen auf die Geschäftstätigkeit der Gruppe haben könnte.

Volatilität des Auftragseingangs

Einige Kundengruppen und Industrien, die ANDRITZ beliefert, sind direkt von der allgemeinen Wirtschaftsentwicklung abhängig und unterliegen damit häufig Nachfrageschwankungen hinsichtlich ihrer Produkte. Dies trifft vor allem auf die Geschäftsbereiche Pulp & Paper sowie Metals zu; es können jedoch alle Geschäftsbereiche davon betroffen sein. Das Preisniveau für die von ANDRITZ für diese Branchen gelieferten Anlagen und Produkte steht teilweise in direktem Zusammenhang mit dem Verhältnis von Angebot und Nachfrage der Endprodukte, die mit den von ANDRITZ gelieferten Anlagen und Produkten hergestellt werden. Mögliche Preisschwankungen können daher einen direkten Einfluss auf die Investitionsentscheidungen von Kunden und in weiterer Folge auf den Auftragseingang der Gruppe haben. Dies könnte daher zu einer Volatilität in der Entwicklung des Auftrags- eingangs führen.

Der mehrheitlich zur ANDRITZ-GRUPPE gehörende Schuler-Konzern erzielt rund 80% des Umsatzes in der Automobilindustrie, die in der Regel starken zyklischen Schwankungen ausgesetzt ist. Mögliche negative zyklische Schwankungen können daher eine negative Auswirkung auf die Umsatz- und Ergebnisentwicklung des Schuler-Konzerns und damit auf die ANDRITZ-GRUPPE haben.

Der künftige Erfolg der Gruppe hängt unter anderem davon ab, ob neue Aufträge erhalten werden können. Es ist teilweise schwierig vorherzusagen, wann genau ein Auftrag, für den die Gruppe ein Angebot gelegt hat, vergeben wird. Die Vergabe von Aufträgen kann von Ereignissen beeinflusst werden, die nicht im Einflussbereich der Gruppe liegen, wie beispielsweise Preissituation, Nachfrage, allgemeine wirtschaftliche Bedingungen, behördliche Genehmigungen und Erhalt von Projektfinanzierungen. So kann es zu Schwierigkeiten beim Abgleich von Fixkosten und erwartetem Auftragsvolumen kommen.

Zusätzlich könnten sich auch Naturkatastrophen oder Pandemien auf die Entwicklung des Auftragseingangs, der Liquidität und die finanzielle Struktur des Konzerns negativ auswirken.

Akquisition und Integration von komplementären Geschäftsfeldern

Eines der wesentlichen strategischen Ziele der ANDRITZ-GRUPPE besteht darin, durch organisches Wachstum und komplementäre Akquisitionen in allen Geschäftsbereichen zum Komplettanbieter zu werden. In Umsetzung dieser Strategie akquirierte die Gruppe seit 1990 eine Reihe von weltweit tätigen Unternehmen und gliederte diese in den Konzern ein.

Es kann jedoch nicht garantiert werden, dass die Gruppe auch künftig in der Lage sein wird, geeignete Akquisitionsziele zu identifizieren und zu erwerben, dass überhaupt geeignete Unternehmen zur Verfügung stehen und ausreichend Finanzmittel für Akquisitionen aufgebracht werden können. ANDRITZ war bei der Integration neuer Unternehmen bisher weitgehend erfolgreich. Es kann jedoch nicht garantiert werden, dass die angestrebten Ziele und Synergien bei allen zukünftigen Akquisitionen (wie auch bei der derzeit laufenden Integrationen der zuletzt akquirierten Unternehmen) vollständig erreicht werden, oder dass die Gruppe sich nicht neuen oder Altlastrisiken ausgesetzt sieht, die nicht identifiziert oder nicht exakt evaluiert wurden.

Einkauf und Fertigung

Im Bereich Einkauf werden die für die ANDRITZ-GRUPPE wichtigen Lieferanten regelmäßig überprüft, um Gefährdungspotenziale (Lieferfähigkeit, Qualitätsmanagement, finanzielle Situation etc.) und Risiken frühzeitig zu erkennen. Das gilt auch für Aufträge ab einer festgelegten Höhe. Zusätzlich werden die Kapazitätsmöglichkeiten überprüft und wenn möglich, eine zweite Lieferoption überprüft.

Im Bereich der Fertigung sind exakte Planung, hoher Einsatz und Flexibilität seitens der Mitarbeiter wesentliche Erfolgsfaktoren, um kurze Auftragsdurchlaufzeiten und hohe Termintreue zu garantieren. ANDRITZ setzt intern auf flexible Arbeitszeitmodelle und vor allem im europäischen Raum auf einen ebenfalls flexiblen Anteil an Leiharbeitskräften, um zyklischen Auslastungsschwankungen zu begegnen. Ebenso werden durch eine gezielte Make-or-Buy-Strategie die im Projektgeschäft typischen Schwankungen in der Kapazitätsauslastung besser ausgeglichen und die vorhandenen eigenen Fertigungskapazitäten bestmöglich ausgelastet. Dabei werden prozessrelevante Schlüsselkomponenten für Anlagen und Produkte von ANDRITZ meist in eigenen Produktionsstätten gefertigt und montiert. Einfache Komponenten werden dagegen vorwiegend bei qualifizierten Lieferanten beschafft, deren Qualität und Termintreue sowie Compliance laufend kontrolliert werden. Die ANDRITZ-GRUPPE versucht, Auslastungsschwankungen möglichst flexibel auszugleichen. Es kann jedoch nicht ausgeschlossen werden, dass es ANDRITZ immer gelingen wird, größere Schwankungen in der Kapazitätsauslastung sofort auszugleichen, was sich wiederum negativ auf die Ergebnisentwicklung der Gruppe auswirken könnte.

Personal

Im Bereich Personal wurde auch im vergangenen Jahr größtes Augenmerk auf die Entwicklung und Stärkung von erforderlichen Mitarbeiterressourcen gelegt. Die diesbezüglichen Maßnahmen umfassen im Wesentlichen das Angebot interessanter Karrieremöglichkeiten, eine leistungsorientierte Entlohnung und fokussierte Trainingsprogramme. Die ANDRITZ-GRUPPE möchte für ihre Mitarbeiter ein attraktiver Arbeitgeber sein und diese langfristig an das Unternehmen binden. Hohe Qualitätsstandards im Auswahlverfahren gewährleisten, dass die am besten geeigneten Kandidaten für die jeweiligen vakanten Positionen eingestellt werden. Für Schlüsselpositionen werden laufend interne Nachfolgekandidaten identifiziert, um für kurz- und mittelfristige Nachbesetzungen ausreichend Kandidaten verfügbar zu haben. Es kann jedoch nicht garantiert werden, dass ANDRITZ frei werdende Stellen immer sofort mit Personen nachbesetzen kann, welche die Erfordernisse und Qualifikationen für die vakante Position erfüllen. Für zu besetzende Stellen werden daher auch externe Kandidaten in Betracht gezogen, wobei beim Recruiting-Prozess zunehmend Social-Media-Plattformen genutzt werden.

In zahlreichen Konzerngesellschaften wurden lokale Entwicklungsprogramme für spezielle Zielgruppen (zum Beispiel für Mitarbeiter im Verkauf, im Einkauf oder für Führungskräfte in der Fertigung) durchgeführt. Um auf möglichen Personalbedarf aufgrund der verstärkten Geschäftsaktivitäten in China Rücksicht zu nehmen, wird der Managementausbildung in China verstärkte Aufmerksamkeit gewidmet. Bei der Programmentwicklung wird nach Möglichkeit darauf geachtet, diese Trainings mit globalen ANDRITZ-Personalentwicklungsprogrammen zu kombinieren. Bestehende Ausbildungsprogramme werden laufend an die aktuellen Anforderungen angepasst. Optimierungspotenziale der bestehenden Aufbauorganisation wurden mit Unterstützung professioneller Partner evaluiert.

Digitalisierung

Basierend auf umfassender und langjähriger Erfahrung als Lieferant von Technologien und Anlagen für verschiedenste Industriezweige bietet ANDRITZ ein breites Produktportfolio an intelligenten, digitalen Lösungen an, die die Kunden maßgeblich unterstützen, ihre Produktions- und Unternehmensziele zu erreichen. Diese innovativen und weltweit in vielen Referenzanlagen erprobten Industrie-4.0-Lösungen werden unter der Technologiemarke Metris gebündelt. Metris beruht auf drei strategischen Säulen: Industrial IIoT mit Technologiefokus Smart Sensors, Big Data und Augmented Reality, Smart Service und dem Bereich Ventures. Metris-Technologien entsprechen dem allerneuesten Stand der Technik, werden laufend weiterentwickelt und können ganz auf individuelle Kundenbedürfnisse maßgeschneidert werden. ANDRITZ sieht in der Digitalisierung ein wesentliches Wachstumsfeld für die Zukunft und wird daher in den kommenden Jahren einen starken Fokus auf die Entwick-

lung digitaler Produkte und Lösungen, einschließlich Datensicherheit, legen. Die Schnelligkeit mit der sich die Digitalisierung entwickelt, stellt jedoch ein Risiko dar, sollte es ANDRITZ nicht gelingen, die Herausforderungen – sowohl die Entwicklung von Produkten und Lösungen, als auch interne Prozesse betreffend – in der gebotenen Geschwindigkeit zu meistern.

Image- und Kundenverlust durch unzureichende Umwelt- und Sozialstandards bei Lieferanten

Die Einhaltung von international gültigen Umwelt- und Sozialstandards ist gerade in der Zusammenarbeit mit Lieferanten aus Schwellenländern wichtig. Mögliche Verstöße (z. B. Kinderarbeit, Missachtung von Sicherheitsvorschriften, Unterbezahlung, Entsorgung von gefährlichen Stoffen etc.) können nicht nur das Image von ANDRITZ selbst, sondern auch bestehende oder zukünftige Geschäftsbeziehungen von ANDRITZ mit Kunden gefährden. Dies könnte sich negativ auf den Auftragseingang bzw. den Auftragsstand der Gruppe auswirken. Daher ist ANDRITZ bestrebt, die Implementierung von international anerkannten Umwelt- und Sozialstandards bei Lieferanten weiter voranzutreiben und deren Einhaltung auch zu überprüfen. Ein erster wichtiger Schritt wurde mit der Entwicklung einer spezifischen Richtlinie für Lieferanten auf Basis des allgemeinen Verhaltenskodex gesetzt. Seit dem vergangenen Jahr werden in China und Indien zwei Auditoren eingesetzt, die die Standards bei Lieferanten überprüfen.

Kapitalmarktrisiken

Die Entwicklung des ANDRITZ-Aktienkurses ist nicht nur von unternehmensspezifischen Faktoren, sondern auch von Kursschwankungen an den internationalen Finanzmärkten abhängig. Starke Kursschwankungen und hohe Volatilität an den wichtigsten Wertpapierbörsen können den Kurs der ANDRITZ-Aktie negativ beeinflussen.

Als börsennotiertes Unternehmen wird die ANDRITZ-GRUPPE regelmäßig von Finanzanalysten und institutionellen Investoren bewertet. Kauf- und Verkaufsempfehlungen von Analysten und darauf basierende Investitionsentscheidungen durch Aktionäre können erhebliche Kursschwankungen der ANDRITZ-Aktie bewirken. ANDRITZ ist bemüht, unbegründete Kursschwankungen durch offene und transparente Informationspolitik und durch gute Beziehungen zu den Aktionären und anderen Teilnehmern am Kapitalmarkt zu vermeiden.

Der hohe Anteil des Streubesitzes der ANDRITZ-Aktien (knapp unter 70%) und die umfassenden Investor-Relations-Tätigkeiten haben zu einem aktiven Handel mit ANDRITZ-Aktien an der Wiener Börse geführt. Es gibt jedoch keine Garantie dafür, dass dieser aktive Handel auch in Zukunft anhalten wird. Sollte dies nicht der Fall sein, hätte dies negative Auswirkungen auf die Liquidität und den Kurs der ANDRITZ-Aktie; Investoren könnten ihre Aktien nicht zu einem für sie angemessenen Preis verkaufen. Ein Ausbleiben des aktiven Handels oder eine größere Veränderung der Marktkapitalisierung könnte weiters dazu führen, dass die ANDRITZ-Aktie aus verschiedenen internationalen Branchen- und Börsenindices, zum Beispiel dem ATX, dem Leitindex der Wiener Börse, oder anderen Indices, gestrichen wird. Dies könnte zu größeren Kursveränderungen der ANDRITZ-Aktie führen.

Operative Risiken

Projektrisiken

Im Zusammenhang mit Lieferungen von Ausrüstungen und Serviceleistungen ist die ANDRITZ-GRUPPE häufig vertraglich verpflichtet, Leistungs- und Termingarantien abzugeben. Werden die garantierten Leistungen nicht erreicht oder Termine nicht eingehalten, sind üblicherweise gestaffelte Vertragsstrafen zu leisten oder auf Kosten der Gruppe Änderungen an den gelieferten Teilen zu erbringen. Bleibt die Anlagenleistung weit hinter den garantierten Werten zurück, werden Termine deutlich überschritten oder akzeptiert der Kunde die Übernahme der Anlage aus sonstigen Gründen nicht, könnte der Kunde das Recht haben, vom Vertrag zurückzutreten und den Vertragsgegenstand bei vollem Kosten- und Schadenersatz an ANDRITZ zurückzugeben. Ein solcher Fall könnte die Finanzentwicklung der Gruppe negativ beeinflussen.

Viele Aufträge, die ANDRITZ abwickelt, basieren auf langfristigen Fixpreisverträgen. Umsatz und Margen können bei Fixpreisverträgen, zum Beispiel wegen Änderungen bei Kosten (vor allem schwankenden Materialkosten), von ursprünglichen Kalkulationen abweichen, insbesondere bei Projekten, die das Engineering und den Bau gesamter Anlagen umfassen und Arbeitsleistungen von Dritten zugekauft werden müssen.

Da die Gruppe gewisse Teile einer zu liefernden Anlage von Unterlieferanten bezieht, kann es vorkommen, dass ein Angebot ohne genaue Kenntnis der Preise der zugekauften Teile gelegt werden muss. Obwohl ANDRITZ bei der Kalkulation auf Erfahrungswerte und Angebote potenzieller Lieferanten zurückgreifen kann, ist es möglich, dass diese Kalkulationen nicht immer exakt sind. Die Gruppe hat aus diesem Grund bei einigen vergangenen Projekten erhebliche Verluste erlitten. Derartige Probleme und Verluste können auch zukünftig auftreten und die finanzielle Entwicklung der Gruppe negativ beeinflussen.

Bei einzelnen Projekten übernimmt ANDRITZ – zusätzlich zur Lieferung von Ausrüstungen und Systemen von ANDRITZ – auch die Verantwortung für das gesamte Engineering und/oder die Errichtung und den Bau von Fabriken. Diese Verträge bergen neben den oben angeführten Risiken auch Risiken in sich, die sich aus größerer Vorort-Verantwortung ergeben; das sind beispielsweise Umweltrisiken, Risiken in Bezug auf die lokalen Arbeitsbedingungen oder Risiken, die mit der Geologie, mit dem Bau und der Errichtung der Anlagen zu tun haben. Darüber hinaus ist die Gruppe auch Risiken in Bezug auf die Zusammenarbeit mit Drittparteien ausgesetzt, die bei diesen Projekten mit Bau-, Montage- und Engineering-Leistungen beauftragt werden (z. B. Streiks oder andere Arbeitsunterbrechungen, die zu Verzögerungen bei der Inbetriebnahme führen, oder Nichteinhaltung von Terminen). Die Gruppe hat zur Minimierung dieser EPC (Engineering, Procurement, Construction)-Risiken Risikomanagementsysteme implementiert, die – soweit vertraglich möglich – unter anderem den Abschluss von Versicherungen, die Festsetzung bestimmter vertraglicher Klauseln und standardisierte Abläufe beim Projektmanagement umfassen. Es gibt jedoch keine Garantie, dass diese Systeme ausreichend sind, um negative finanzielle Auswirkungen zu verhindern. Die Gruppe hat diesbezüglich bei bestimmten früheren Projekten Verluste gemacht, und ähnliche Schwierigkeiten und Verluste könnten auch künftig auftreten und eine negative Auswirkung auf die finanzielle Situation der Gruppe haben.

Bei vielen EPC- und anderen Projekten übernimmt die ANDRITZ-GRUPPE gemeinsam mit Drittparteien eine Reihe von gemeinsamen Risiken. Obwohl die Gruppe bestrebt ist, dass die Risiken aus solchen Projekten klar zugeordnet werden, kann nicht ausgeschlossen werden, dass die Gruppe dabei immer erfolgreich ist. Darüber hinaus kann der Fall, dass ein Konsortialpartner seinen Verbindlichkeiten (inklusive Schadenersatz gegenüber der Gruppe) nicht nachkommen kann, eine bedeutende negative Auswirkung auf die Geschäftsergebnisse und die Liquiditätssituation der Gruppe haben.

Haftungsbeschränkungen

Haftungen, die sich aus Verträgen der Gruppe ergeben, können Haftungen bezüglich eines Gewinnentgangs von Kunden und andere Haftungen beinhalten, die den jeweiligen Vertragswert erheblich überschreiten können. Die ANDRITZ-GRUPPE ist bestrebt, in Verträgen entsprechende Haftungsbeschränkungen festzulegen; es kann jedoch keine Garantie dafür geben, dass in allen Verträgen ausreichende Haftungsbeschränkungen enthalten sind, oder dass Haftungsbeschränkungen im jeweils anzuwendenden Recht durchsetzbar sein werden.

Verträge mit staatlichen Stellen

Bei diversen Projekten sind staatliche Stellen die Auftraggeber. In Zusammenhang mit diesen Projekten kann die Gruppe den oben beschriebenen Leistungs-, Haftungs- und EPC-/Turnkey-Risiken in verstärktem Maße unterliegen, weil es der Gruppe aufgrund des Erfordernisses öffentlicher Ausschreibungen und lokaler Gesetze eventuell nicht immer möglich ist, ihre angestrebten vertraglichen Absicherungen zu erreichen.

Gerichtsverfahren

Im Rahmen ihrer Geschäftstätigkeit hat die ANDRITZ-GRUPPE in zahlreichen Verfahren bei Verwaltungsbehörden, Gerichten und Schiedsgerichten Parteienstellung. Der Großteil dieser Verfahren (wie beispielsweise Vertrags- und Projektstreitigkeiten, Produkthaftungsklagen und Verfahren im Bereich geistiges Eigentum) kann als typisch für die Branche, in der die Gruppe tätig ist, angesehen werden. Die ANDRITZ-GRUPPE bildet in Fällen, bei denen ein negativer Ausgang von Verfahren wahrscheinlich erscheint und zuverlässige Schätzungen gemacht werden können, entsprechende Rückstellungen. Es kann jedoch nicht garantiert werden, dass diese Rückstellungen ausreichend sind. In Anbetracht der Risikosummen in einigen dieser Streitfälle kann ein für ANDRITZ negativer Ausgang einer oder mehrerer dieser Rechtsstreitigkeiten zu einer wesentlichen negativen Auswirkung auf Ergebnis und Liquiditätsbestand der Gruppe führen.

Der Bereich Produkthaftung inkludiert einige Fälle wegen mutmaßlicher Körperverletzungen und/oder Todesfällen aufgrund Asbestbelastungen. Details dazu sind im Konzernabschluss, Kapitel „N) Eventualverbindlichkeiten“ zu finden.

Währungen

Ein wesentlicher Teil der Tochtergesellschaften der ANDRITZ-GRUPPE befindet sich außerhalb der Eurozone. Da Euro die Berichtswährung der ANDRITZ AG ist, rechnet das Unternehmen im Konzernabschluss die Abschlüsse dieser Gesellschaften in Euro um. Um translationsbezogene Fremdwährungsrisiken zu adressieren, wird für das Risikomanagement generell unterstellt, dass Investitionen in ausländische Gesellschaften auf Dauer angelegt sind und die Ergebnisse kontinuierlich reinvestiert werden. Auswirkungen von Wechselkursschwankungen bei der Umrechnung von Nettovermögenspositionen in Euro werden im Posten Unterschiedsbeträge aus Währungsumrechnung im Konzerneigenkapital ausgewiesen.

Ein beträchtlicher Teil des Umsatzes bzw. der Kosten wird nicht in Euro, sondern in anderen Währungen, vor allem US-Dollar, abgerechnet. Die Währungen in diesen Ländern können erheblichen Wechselkursschwankungen unterliegen. Währungsrisiken im Zusammenhang mit Aufträgen, die nicht in Euro fakturiert werden, werden durch die Verwendung von derivativen Finanzinstrumenten – insbesondere Devisentermingeschäfte und Swaps – bestmöglich minimiert.

Obwohl die Gruppe bestrebt ist, die Nettowährungsposition von nicht in Euro fakturierten Aufträgen durch den Abschluss von Termingeschäften abzusichern, können sich Währungsschwankungen mit Wechselkursverlusten im Konzernabschluss niederschlagen. Die Entwicklung der Wechselkurse kann sich auch auf den in Euro umgerechneten Umsatz und das Ergebnis der Gruppe sowohl positiv als auch negativ auswirken. Wechselkursänderungen können auch dazu führen, dass sich die Position von ANDRITZ gegenüber der Konkurrenz verändert, obgleich viele Mitbewerber von ANDRITZ ihren Firmensitz ebenfalls im Euroraum haben. Da einige der größeren ANDRITZ-Kunden ihren Hauptsitz außerhalb des Euroraums haben, können Wechselkursänderungen zu einer Verzögerung von Projektentscheidungen durch diese Kunden führen. Ebenso ist das Eigenkapital der ANDRITZ-GRUPPE nicht abgesichert und könnte durch Wechselkursänderungen beeinflusst werden.

Die Veränderung des Euro gegenüber vielen anderen Währungen könnte sich auch umrechnungsbedingt sowohl positiv als auch negativ auf das Eigenkapital sowie die Umsatz- und Ertragsentwicklung der ANDRITZ-GRUPPE auswirken (Translationseffekt).

Sicherheit und Umweltschutz

Die Gruppe unterliegt mit ihren Geschäftstätigkeiten zahlreichen lokalen, nationalen und internationalen Umweltvorschriften. In den Fertigungsstätten der ANDRITZ-GRUPPE werden auch gefährliche Substanzen verwendet und generiert. Weiters wurden und werden zahlreiche Grundstücke, die sich im Besitz der Gruppe befanden und/oder noch befinden, industriell genutzt. In diesen Fällen wurde und wird eine entsprechende Verbringung der Abfälle auf Deponien veranlasst. Es kann jedoch nicht ausgeschlossen werden, dass die Gruppe für die Untersu-

chung und Säuberung verseuchter Grundstücke haften muss. Die Geschäftsbereiche übernehmen bei bestimmten Projekten vereinzelt eine gemeinsame Haftung für Umweltrisiken.

Die ANDRITZ-GRUPPE liefert außerdem viele Systeme, bei denen Produkte und/oder Prozesse zum Einsatz kommen, die das Risiko von schwerer Verletzung, Tod – auch einer großen Anzahl von Menschen – oder bedeutender Eigentumsbeschädigung in sich bergen. In zahlreichen Systemen kommen gefährliche Chemikalien und Werkstoffe zum Einsatz. Produkte von ANDRITZ werden auch im Primärkühlkreislauf von Kernkraftwerken eingesetzt. Die Gruppe bietet Montage- und sonstige Dienstleistungen auf Baustellen an, auf denen gefährliche Chemikalien und Werkstoffe verwendet werden. Im Falle eines Unfalls, wie etwa des Auslaufens solcher gefährlichen Stoffe, eines Feuers oder einer Explosion, könnte die Gruppe für Sach- oder Personenschäden und die Beseitigung von Umweltschäden haften müssen. Auch im Falle von Arbeitsunfällen von ANDRITZ-Mitarbeitern bzw. dritten Personen, die im Auftrag von ANDRITZ arbeiten, kann die Gruppe haftbar gemacht werden.

Reisesicherheit

Eine globale Travel Risk Management Policy legt die Eckpunkte des Reisesicherheitsprogramms fest. Um Auslandseinsätze von ANDRITZ-Mitarbeitern möglichst sicher zu gestalten, verfolgt und beobachtet die Gruppenfunktion Group Corporate Security laufend die Lage in Risikoländern, in denen Mitarbeiter im Einsatz sind, und informiert Reisende und Projektleiter über aktuelle Entwicklungen. Im Jahr 2017 wurde diese Informationsbereitstellung wesentlich vereinfacht und qualitativ stark verbessert.

Ein neues – wesentlich verbessertes – Länderportal, das auch via Smartphone-App abrufbar ist, bietet landesspezifische Informationen, Risikoanalysen und praktische Handlungsempfehlungen zum Thema Reisegesundheit und -sicherheit sowie Updates und Analysen zu aktuellen Entwicklungen in einem Land. Eine wichtige Neuerung ist, dass Reisende über in Kürze wahrscheinlich anstehende Ereignisse (Demonstrationen, Streiks, erschwerte Wetterbedingungen, Flughafenschließungen, etc.), die einen Einfluss auf eine reibungslose Reisetätigkeit haben können, informiert werden. Ziel ist es, die Mitarbeiter so umfassend wie möglich über spezielle Risiken und Entwicklungen in einem Land zu informieren, um bestmögliche Vorbereitungen treffen zu können.

Zwei Helplines – ANDRITZ Medical und ANDRITZ Security Travel Helpline – stehen rund um die Uhr für den Notfall vor, während und nach der Reise zur Verfügung. Die Reisemediziner, Sicherheitsexperten, sowie Lageanalysten der Helplines beantworten sowohl allgemeine Fragen zum Thema Reisesicherheit als auch spezifische Fragen zur Destination. Darüber hinaus empfehlen sie auch medizinische Dienstleister oder Meet & Greet-Dienstleister am Zielort. Oberstes Ziel ist es, den Mitarbeitern umfassende Informationen und Unterstützung zu bieten, um Ihre gesunde Heimkehr zur gewährleisten. Es kann jedoch nicht ausgeschlossen werden, dass Mitarbeiter – trotz umfassender Aufklärungs- und Sicherheitsmaßnahmen – zu Schaden kommen und die Gruppe dafür haftbar gemacht werden kann.

Versicherungen

Obwohl die ANDRITZ-GRUPPE Versicherungsprogramme zur Abdeckung der für das Geschäft üblichen Risiken abgeschlossen hat, gibt es keine Garantie, dass mögliche Verluste durch diese Versicherungen vollständig abgedeckt werden, die Versicherungen schadenersatzpflichtig bzw. die Versicherungsbeträge ausreichend sind. Darüber hinaus ist die Gruppe in gewissen Industrien tätig (zum Beispiel in der Raumfahrt und Nuklearindustrie), für die Risiken nicht oder nicht voll versicherbar sind bzw. nicht immer alle Voraussetzungen gegeben sind, um Versicherungen abschließen zu können. Jegliche substantielle Verbindlichkeit, die nicht durch Versicherungen gedeckt ist, könnte daher eine wesentliche negative Auswirkung auf die finanzielle Situation der Gruppe haben.

Cyber-Security/Hackerangriffe

Die zunehmende Digitalisierung und Vernetzung von Anlagen und Maschinen erfordert hoch wirksame und effiziente Lösungen zur Wahrung der Datensicherheit. Der unbefugte Zugriff auf oder der Abzug sensibler Unternehmensdaten sowie die mangelnde Verfügbarkeit der Systeme als Folge von Hackerangriffen sind wesentliche

Risiken, denen ANDRITZ in zunehmendem Maße ausgesetzt ist. Dabei können nicht nur die ANDRITZ-eigenen Systeme betroffen sein, sondern auch die von ANDRITZ bei Kunden installierten IloT-Lösungen. Cyber-Risiken bzw. möglichen Hackerangriffen begegnet ANDRITZ durch den Einsatz von modernsten IT-Sicherheitstechnologien (zum Beispiel Firewall-Systeme) sowie durch verstärkte Kontrolle von Zugriffsberechtigungen. Ein Schwerpunkt liegt auf der kontinuierlichen Weiterentwicklung der Sicherheitsmaßnahmen. Mit Hilfe einer optimierten IT-Infrastruktur sollen Cyber-Attacken frühzeitig erkannt werden, um diese erfolgreich abzuwehren. Es kann jedoch nicht ausgeschlossen werden, dass es durch Cyber-Angriffe zu einem unbefugten Zugang bzw. zu einem Verlust von sensiblen und vertraulichen Daten sowohl bei ANDRITZ als auch bei seinen Kunden kommt und dies in weiterer Folge zu enormen wirtschaftlichen Schäden führt, für die ANDRITZ verantwortlich gemacht werden könnte.

Internes Kontroll- und Risikomanagementsystem

ANDRITZ verfügt über ein konzernweites internes Kontroll- und Steuerungssystem (IKS), dessen Hauptaufgabe es ist, entstehende Risiken bereits in einem frühen Stadium zu identifizieren, um nach Möglichkeit rasch Gegenmaßnahmen ergreifen zu können. Dieses System stellt ein wichtiges Element in der aktiven Unternehmenssteuerung dar. Es gibt jedoch keine Garantie, dass diese Überwachungs- und Kontrollsysteme effektiv genug sind.

Die Implementierung und Überwachung des IKS im Hinblick auf den Rechnungslegungsprozess bzw. die Finanzberichterstattung liegt in der Verantwortung des Vorstands. Dazu wurden sowohl für die wesentlichen Geschäftsrisiken innerhalb der Gruppe als auch für den Finanzberichterstattungsprozess gruppenweit verbindlich anzuwendende Regelungen und Richtlinien verabschiedet.

Das Rechnungswesen und die darin integrierte Finanzbuchhaltung sind dem Vorstand unterstellt. Durch organisatorische Maßnahmen wird bestmöglich sichergestellt, dass die gesetzliche Vorgabe, dass die Erfassung in den Büchern und die sonstigen Aufzeichnungen vollständig, richtig, zeitgerecht und geordnet zu erfolgen haben, erfüllt wird. Der gesamte Prozess von der Beschaffung bis zur Zahlung unterliegt Richtlinien, die wesentliche damit in Zusammenhang stehende Risiken minimieren sollen. Zu diesen Maßnahmen und Regeln zählen unter anderem Funktionstrennungen, Unterschriftenordnungen, ausschließlich kollektive und auf wenige Personen eingeschränkte Zeichnungsermächtigungen für Zahlungen sowie systemunterstützte Prüfungen durch die verwendete Finanzsoftware (SAP).

Durch ein standardisiertes, konzernweites Finanzberichtswesen sowie durch sofortige, anlassbezogene Berichterstattung über bedeutende Ereignisse soll sichergestellt werden, dass der Vorstand angemessen und zeitnah über alle relevanten Sachverhalte in der Gruppe informiert wird. Der Aufsichtsrat wird in zumindest einer pro Quartal stattfindenden Aufsichtsratssitzung über die laufende Geschäftsentwicklung inklusive operative Planung und mittelfristige Strategie des Konzerns unterrichtet, in besonderen Fällen – wie zum Beispiel bei Akquisitionen, Restrukturierungen etc. – wird der Aufsichtsrat auch unmittelbar informiert. Darüber hinaus erhält der Vorsitzende des Aufsichtsrats einen monatlichen Bericht mit den wichtigsten Finanzkennzahlen einschließlich Kommentaren. In den Prüfungsausschusssitzungen wird unter anderem auch das interne Kontroll- und Risikomanagement behandelt.

Die Interne Revision, die als Stabsstelle des Vorstands eingerichtet ist, auditiert konzernweit einzelne Prozesse oder Gesellschaften anhand eines jährlich festgelegten Prüfplans sowie in besonderen Anlassfällen. Sie agiert in der Berichterstattung und bei der Wertung der Prüfergebnisse als unabhängiger unternehmensinterner Bereich weisungsungebunden.

Der Konzernabschlussprüfer beurteilt jährlich die Funktionsfähigkeit des Risikomanagements in der ANDRITZ-GRUPPE und berichtet darüber an Aufsichtsrat und Vorstand. Die Funktionalität des Risikomanagements wurde vom Konzernabschlussprüfer 2017 kontrolliert und bestätigt.

Konsolidierter Corporate-Governance-Bericht

Den konsolidierten Corporate-Governance-Bericht finden Sie im Kapitel Konsolidierter Corporate-Governance-Bericht – oder auf der ANDRITZ-Website andritz.com.

Wesentliche Ereignisse nach dem Bilanzstichtag

Es gab keine außerordentlichen Ereignisse nach dem Bilanzstichtag.

KONSOLIDIERTE NICHT-FINANZIELLE ERKLÄRUNG

Der folgende Abschnitt beschreibt nicht-finanzielle Leistungsindikatoren zu den Themenbereichen Sozial-, Arbeitnehmer- und Umweltbelange sowie Achtung der Menschenrechte. Informationen zur Bekämpfung von Korruption und Bestechung sind im konsolidierten Corporate-Governance-Bericht verfügbar.

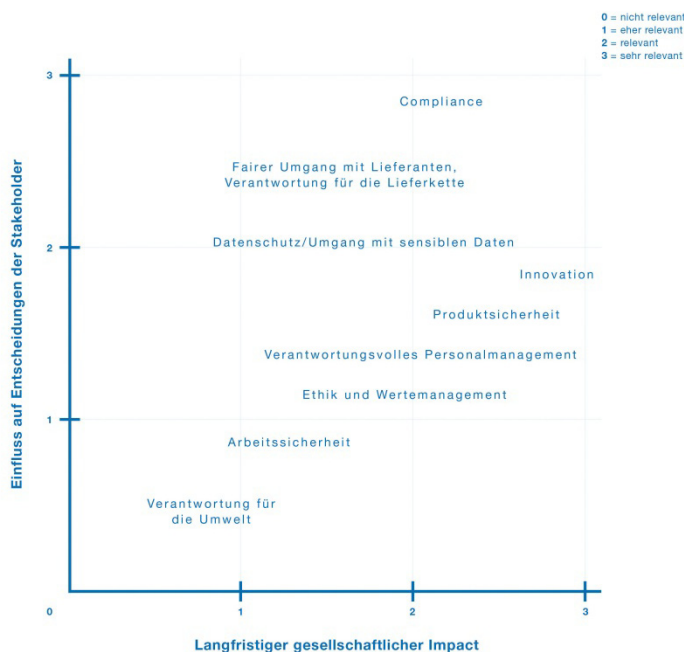
Wesentlichkeitsanalyse

Die ANDRITZ-GRUPPE berichtet Informationen betreffend Nachhaltigkeit gemäß den Kriterien der Global Reporting Initiative (GRI Standards, Option: Kern).

Um die wesentlichen Themen für die Berichterstattung und wichtige Handlungsfelder zu eruieren, wurde im Herbst 2017 eine Stakeholder-Umfrage durchgeführt, an der rund 300 Personen teilnahmen.

Bei der Umfrage wurden insgesamt knapp über 50 Themen aus sechs Handlungsfeldern abgefragt. Die Fragen richteten sich zum einen nach dem langfristigen gesellschaftlichen Einfluss, den die jeweiligen Themen haben, sowie zum anderen nach dem Einfluss, die diese Themen auf Entscheidungen der Stakeholder im Zusammenhang mit den Geschäftsbeziehungen mit ANDRITZ haben. Die Umfrage wurde auf anonymer Basis mittels Online-Fragebogen durchgeführt. Zusätzlich zur Stakeholder Umfrage wurde eine Medien- und Marktanalyse durchgeführt, um herauszufinden, welche Themen in der öffentlichen Berichterstattung über ANDRITZ im Vordergrund standen.

Das Ergebnis der Befragung zeigte folgendes: wie auch schon bei den vorangegangenen Befragungen wurden die Themen Compliance, fairer Umgang mit Lieferanten und Geschäftspartnern sowie die Übernahme von Verantwortung für die Lieferkette als sehr relevant eingestuft. Datenschutz, Produktsicherheit und verantwortungsvolles Personalmanagement werden ebenfalls als relevant angesehen. Weiters wurden die Themen Arbeitssicherheit und Verantwortung für die Umwelt als wichtig eingestuft. Alle diese Themen sind somit relevant für ANDRITZ und infolgedessen auch Basis für die Berichtsinhalte.



Eine Auflistung aller berichteten Indikatoren einschließlich Kommentare erfolgt im Kapitel „GRI Index“ im Konzernanhang. Neu berichtete Informationen finden sich im Bereich Abfall und Energie, da im Zuge der Datenerhebung für das Geschäftsjahr 2017 erstmals ein neues Umweltmanagement-Berichtssystem eingesetzt wurde, das Daten auf Grundlage der GRI-Indikatoren erhebt und auch auswertet.

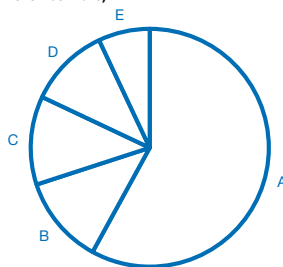
Mitarbeiter

Motivierte und engagierte Mitarbeiter sind eine der wesentlichen Voraussetzungen für den langfristigen Erfolg von ANDRITZ. Deshalb stehen Mitarbeiterzufriedenheit, umfassende Aus- und Weiterbildungsmöglichkeiten sowie Work-life-Balance im Fokus der Aktivitäten im Personalmanagement. Gleichbehandlung, Verlässlichkeit, Integrität und Respekt sind die zentralen Grundwerte, denen sich ANDRITZ im Personalbereich verpflichtet fühlt und auch den rund 25.600 Mitarbeitern entgegen bringt.

So unterschiedlich wie die einzelnen Produkte und Geschäftsbereiche ist auch die Zusammensetzung der Mitarbeiterstruktur: Per Ende 2017 waren 25.566 Mitarbeiter (31. Dezember 2016: 25.162 Mitarbeiter) aus über 30 unterschiedlichen Nationen für ANDRITZ tätig. Diese Diversität ist ANDRITZ wichtig, weil dadurch positive Effekte, etwa durch den Austausch von Wissen und praktischen Erfahrungen zwischen Menschen unterschiedlicher Herkunft, Alter, Religion und Kultur, entstehen.

**Mitarbeiter nach Regionen
per 31. Dezember 2017 in %**

(31. Dezember 2016)



| | | | |
|---|-----------|------|--|
| A | 58 | (59) | Europa |
| B | 12 | (12) | China |
| C | 12 | (11) | Nordamerika |
| D | 11 | (12) | Südamerika |
| E | 7 | (6) | Asien (ohne China), Australien, Afrika |

Der Frauenanteil in der Gruppe ist im vergangenen Jahr leicht gestiegen und betrug 2017 15,4% (2016: 15,1%).

Mitarbeiter nach Geschlecht

| | Absolut 2017 | Absolut 2016 | Anteil 2017 | Anteil 2016 |
|---------------|---------------|---------------|---------------|---------------|
| Männer | 21.630 | 21.362 | 84,6% | 84,9% |
| Frauen | 3.936 | 3.800 | 15,4% | 15,1% |
| GESAMT | 25.566 | 25.162 | 100,0% | 100,0% |

Die Entwicklung und Koordination der globalen Personalaktivitäten erfolgt über die Abteilung Group Human Resources, die auch für die Nachfolgeplanung von Schlüsselpositionen und die Entwicklung von internen Talenten und Kandidaten für Führungspositionen verantwortlich ist.

Ein zentrales Element der gruppenweiten Personalentwicklung ist das Mentoring-Programm. Teilnehmer des Programms zur Förderung von Führungskräften in Schlüsselpositionen erhalten einen Mentor zugewiesen, der schon seit vielen Jahren eine Führungsposition bei ANDRITZ bekleidet. Der Mentor steht der Nachwuchsführungskraft jederzeit für fachliche und persönliche Fragen zur Verfügung. Es finden auch regelmäßige Vieraugengespräche statt, bei denen gemeinsam definierte Themen diskutiert, Erfahrungen weitergegeben und Ergebnisse reflektiert werden.

Unterstützend dazu werden von den Personalabteilungen an den Standorten lokale Entwicklungsprogramme durchgeführt. Die Basis für die Ausarbeitung von Ausbildungsprogrammen bilden Mitarbeitergespräche, die neben der persönlichen Zufriedenheit der Mitarbeiter auch individuelle Zielsetzungen sowie fachliche Verbesserungs- und Weiterbildungsmaßnahmen erfassen sollen. Das Mitarbeitergespräch bietet die Möglichkeit für gegenseitiges Feedback und eine exakte Definition der Aufgaben bzw. der weiteren Entwicklung innerhalb des Unternehmens. 2017 wurden gruppenweite Mitarbeitergespräche mit rund 69,8% der Belegschaft geführt. Um Optimierungspotenziale der bestehenden Aufbauorganisation identifizieren zu können, wurden im vergangenen Jahr auch Management Audits mit Unterstützung professioneller externer Partner durchgeführt.

Gleichbehandlung und Fairness gegenüber allen Mitarbeitern schafft Zufriedenheit

Als attraktiver Arbeitgeber hat ANDRITZ das Ziel, der Belegschaft ein Arbeitsumfeld zu bieten, das Chancengleichheit, gute Entwicklungsmöglichkeiten und gerechte Entlohnung für alle ermöglicht – egal an welchem Standort weltweit.

Die grundlegenden Rechte gelten gruppenweit für alle Mitarbeiter. Dazu zählen das Recht der gesetzlichen Mitbestimmung der Arbeitnehmer sowie die Einhaltung der Grundsätze und Normen der International Labour Organization (ILO) betreffend Vereinigungsfreiheit, Abschaffung von Zwangsarbeit, Kinderarbeit und Diskriminierung sowie faire und leistungsgerechte Entlohnung.

Zwischen dem Vorstand der ANDRITZ AG und den Betriebsräten gibt es regelmäßige sowie auch anlassbezogene Treffen, die den offenen und transparenten Informationsaustausch zwischen beiden Organen sicherstellen und unterstützen. Die Bildung von internen Gremien, die Mitarbeiterinteressen vertreten, wird befürwortet. An allen Standorten gilt die Versammlungsfreiheit gemäß den jeweiligen lokalen Gesetzen.

ANDRITZ duldet und toleriert keine Form von Belästigungen und Diskriminierungen von Mitarbeitern aufgrund von Geschlecht, Alter, Herkunft, Religion oder Nationalität etc. Das Arbeitsumfeld jedes Mitarbeiters soll frei von Einschüchterung und anzüglichem Verhalten sein. Dies ist sowohl im gruppenweiten Kodex über Geschäftsverhalten und -ethik als auch in der gruppenweit geltenden Personal-Richtlinie klar dokumentiert. Auch die Möglichkeiten im Beschwerdefall sind festgelegt. Die Fristen für Mitteilungen bei wesentlichen betrieblichen Änderungen (Schließung von Standorten, Kündigungen etc.) sind in einer gruppenweit gültigen Richtlinie geregelt.

Personalaufwendungen und Sozialleistungen

Die Aufwendungen für Personal betragen im vergangenen Jahr 1.717,8 MEUR (2016: 1.656,7 MEUR). Das Gehalt für Frauen lag im Berichtszeitraum durchschnittlich bei rund 85% des Gehalts für Männer. Auch wenn dies im europäischen Durchschnitt liegt, ist ANDRITZ bestrebt, diese Gehaltsschere zu schließen. Das definierte Ziel ist gleiche Entlohnung für gleiche Arbeit, unabhängig vom Geschlecht. ANDRITZ fördert Frauen durch spezielle Karriereentwicklungsprogramme und unterstützt diese während der Studienzzeit oder in der Kinderbetreuung, u.a. durch Betriebskindergärten, die bereits an mehreren Standorten eröffnet wurden.

Mit Ende des Jahres 2017 befanden sich 428 Mitarbeiter in Elternkarenz (226 Frauen und 202 Männer); das sind gemessen am Gesamtmitarbeiterstand der Gruppe 5,7% Frauen und 0,9% Männer. (31. Dezember 2016: 352 Mitarbeiter gesamt; 197 Frauen und 155 Männer oder 5,2% Frauen und 0,7% Männer).

In Ländern, wo das Sozialsystem nicht so ausgeprägt ist wie in Europa, werden Mitarbeiter von ANDRITZ durch freiwillige Sozialleistungen unterstützt, die über die gesetzlichen Anforderungen hinausgehen. Diese reichen von freiwilligen Unfallversicherungen, Beiträgen zur Pensionsvorsorge und Lebensversicherungen bis hin zur Unterstützung von Familienangehörigen.

Work-life-Balance und Mitarbeiterbindung

ANDRITZ verfolgt das Ziel, eine ausgewogene Work-life Balance für alle Mitarbeiter zu ermöglichen. Bei Bedarf, und wenn es die jeweilige Position erlaubt, werden Teilzeitregelungen, Bildungskarenzen, Sabbaticals oder andere Modelle vereinbart. Auch die Gesundheitsvorsorge nimmt einen hohen Stellenwert im Unternehmen ein. An den einzelnen Standorten der Gruppe laufen unterschiedliche Programme, die jeweils an die speziellen Bedürfnisse der Mitarbeiter angepasst sind.

Die Altersverteilung im Unternehmen ist ausgewogen. Mehr als die Hälfte der Mitarbeiter ist zwischen 30 und 50 Jahre alt (2017: 57%; 2016: 56%), der Anteil der unter 30-jährigen liegt bei 15% (2016: 16%). 28% der Beschäftigten sind über 50 Jahre alt (2016: 28%).

Die Mitarbeiterbindung bei ANDRITZ ist konstant sehr hoch und beträgt innerhalb der Gruppe rund 11,3 Jahre. Am längsten, durchschnittlich 13,9 Jahre, bleiben europäische Mitarbeiter im Unternehmen, gefolgt von Mitarbeitern in Nordamerika (durchschnittlich 9,4 Jahre). Die Fluktuationsrate betrug 2017 14,4% bzw. 3.658 Mitarbeiter (2016: 14,0% bzw. 3.499 Mitarbeiter) und liegt damit im europäischen Durchschnitt von Industrieunternehmen. 4.336 Mitarbeiter wurden im vergangenen Jahr neu eingestellt, davon waren 12% über 50 Jahre alt. Bei der Rekrutierung externer Kandidaten werden neben den klassischen Medien auch soziale Medien wie etwa LinkedIn zunehmend stärker genutzt.

2017 wurde für neue Mitarbeiter erstmals eine anonyme Umfrage über die erste Zeit im Unternehmen, die Integration und die Wahrnehmung von ANDRITZ als neuen Arbeitgeber gemacht. Dieser sogenannte „On-boarding Prozess“ soll künftig regelmäßig stattfinden. Die Ergebnisse sollen auch dabei helfen, den Personalbeschaffungsprozess in den Gesellschaften zu optimieren und die Mitarbeiterzufriedenheit weiter zu erhöhen.

Fluktuation nach Geschlecht und Altersgruppe

| | Vertragsbeendigungen 2017 | Vertragsbeendigungen 2016 | Fluktuationsrate 2017* | Fluktuationsrate 2016* |
|-------------------------------|---------------------------|---------------------------|------------------------|------------------------|
| Männer | 3.206 | 3.043 | 14,8% | 14,3% |
| Frauen | 452 | 456 | 11,7% | 12,0% |
| < 30 Jahre | 859 | 954 | 22,0% | 23,7% |
| 30-50 Jahre | 1.874 | 1.781 | 13,0% | 12,6% |
| > 50 Jahre | 925 | 764 | 13,0% | 11,1% |
| GESAMT | 3.658 | 3.499 | 14,4% | 14,0% |
| ohne Montagearbeiter** | 2.968 | 2.687 | 11,6% | 10,7% |

* Berechnung der Fluktuationsrate: Vertragsbeendigungen im Verhältnis zur durchschnittlichen Mitarbeiterzahl, Vertragsbeendigungen inkludieren arbeitsgeber- und arbeitnehmerseitige Beendigungen von Dienstverhältnissen, inklusive projektbezogene Montagearbeiter.

** Hochrechnung

Ausbildung als wichtige gesellschaftliche Aufgabe

Die Lehrlinge von heute sind wichtige Fachkräfte von morgen. Deshalb setzt ANDRITZ auf eine solide Fachausbildung – egal ob in der seit 1922 bestehenden Lehrwerkstatt in Graz oder den weiteren Standorten auf der ganzen Welt. Mit 31. Dezember 2017 waren weltweit bei insgesamt 41 Tochtergesellschaften 866 Lehrlinge in Ausbildung (2016: 877 Lehrlinge). Im Rahmen der Ausbildung erwerben die jungen Mitarbeiter nicht nur spezifisches Fachwissen, sondern auch Schlüsselqualifikationen wie Teamfähigkeit oder Qualitätsbewusstsein.

Durch eine enge Zusammenarbeit mit Universitäten und anderen Ausbildungsinstitutionen hat ANDRITZ Zugang zu hochqualifizierten Nachwuchskräften und ist bestrebt, diese langfristig für das Unternehmen zu begeistern und zu gewinnen. Beispielsweise werden Studenten bei ihren Abschlussarbeiten unterstützt und auch in unterschiedlicher Form während des Studiums im Unternehmen beschäftigt – von der laufenden geringfügigen Anstellung neben der Ausbildung bis hin zum mehrmonatigen Praktikum.

Verantwortungsvolles Wirtschaften entlang der gesamten Wertschöpfungskette

ANDRITZ hat weltweit rund 40.000 Lieferanten, von denen rund 10% beinahe 80% des externen Einkaufsvolumens der Gruppe abdecken. Sämtliche Lieferanten werden von der weltweiten ANDRITZ-Einkaufsorganisation in regelmäßigen Abständen überprüft, insbesondere auch hinsichtlich deren Nachhaltigkeitsaktivitäten.

Die Grundkriterien für die Zusammenarbeit mit einem Lieferanten sind neben Qualität, Kosten und Liefertreue die Einstellung des Lieferanten zu Arbeitssicherheit und -gesundheit, Compliance und Nachhaltigkeit sowie die strikte Einhaltung des ANDRITZ-Verhaltens- und Ethikkodex für Lieferanten. ANDRITZ setzt auf langfristige, partnerschaftliche Beziehungen auf Augenhöhe und steht mit den Lieferanten während der gesamten Ausführung eines Auftrags in engem Kontakt. Bei kritischen Bauteilen oder neuen Lieferanten wird oft auch eine Fertigungsüberwachung vor Ort durchgeführt.

Das globale Lieferkettenmanagement von ANDRITZ ist in drei Hauptbereiche aufgeteilt: Strategisches Einkaufsmanagement (Forward Sourcing), Procurement Operations Development und globale Logistik. Diese Bereiche werden von weiteren Funktionen wie etwa Supplier Compliance & Sustainability unterstützt. Die globale Einkaufsorganisation gibt strategische Anforderungen vor und schafft technische und vertragliche Rahmenbedingungen für die Zusammenarbeit mit den Lieferanten.

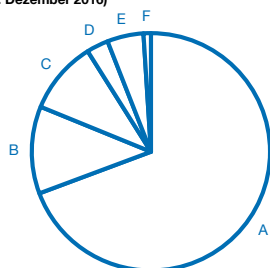
Das Beschaffungsvolumen im vergangenen Jahr lag bei 4.021,5 MEUR (2016: 4.083,9 MEUR). Bei der Abwicklung von Aufträgen achtet man darauf, dass die Materialien – so weit wie möglich – in der Nähe der Fertigungsstätten bezogen werden. Da die Produktionskapazitäten verstärkt nach China und Indien verlagert werden, setzt ANDRITZ in Folge auch vermehrt auf Lieferanten aus Schwellenländern.

Der Anteil an lokal bezogenen Dienstleistungen und Produkten lag 2017 bei 71,3% (2016: 72,9%). 70,4% des Einkaufsvolumens wurden in Europa erbracht, 16,3% in Asien, 9,6% in Nordamerika.

Die Fertigungskapazitäten der Gruppe werden immer mehr in Richtung Emerging Markets verlegt, was sich langfristig gesehen auch auf die Verteilung des Einkaufsvolumens auswirken wird.

Externes Einkaufsvolumen nach Regionen per 31. Dezember 2017 in %

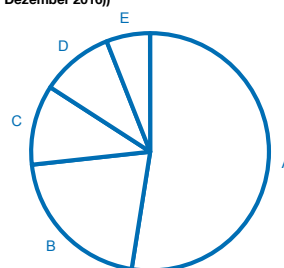
(31. Dezember 2016)



| | | |
|---|----------------|--------------------|
| A | 70 (69) | Europa |
| B | 12 (12) | China |
| C | 10 (10) | Nordamerika |
| D | 3 (5) | Südamerika |
| E | 5 (4) | Asien (ohne China) |
| F | 1 (1) | Sonstige |

Fertigungskapazitäten nach Regionen per 31. Dezember 2017 in %

(31. Dezember 2016)



| | | |
|---|----------------|--------------------|
| A | 53 (56) | Europa |
| B | 20 (18) | China |
| C | 11 (11) | Nordamerika |
| D | 10 (8) | Asien (ohne China) |
| E | 6 (7) | Südamerika |

Materialverbrauch

Der größte Anteil an Material fällt – gemessen an den Kosten – in den Bereich Projektmaterial und Dienstleistungen (70%). Dazu zählen mechanische Teile, elektrische Komponenten, Stahlbau und Fördertechnik, mechanische Konstruktionen sowie Montage und Inbetriebnahme. 20% werden als Gemeinkosten für Material, Leistungen und Investitionen aufgewendet, 10% für Fertigungsmaterial wie Bleche, Siebe, Stäbe, Profile oder Guss- und Schmiedeteile.

Logistik

Die Abteilung Logistik – als Teil der globalen Beschaffung – unterstützt die Geschäftsbereiche bei der logistischen Umsetzung von Kundenprojekten. Zu den weiteren wesentlichen Aufgaben der Abteilung gehören das Definieren von Standards und Richtlinien für den Transport, das Durchführen von Ausschreibungen, das Verhandeln von Rahmenvereinbarungen mit Logistik-Dienstleistern sowie interne Schulungen. Fast alle Dienstleistungen werden zugekauft, es gibt keinen eigenen Fuhrpark. CO₂-Emissionen werden somit extern verursacht und können dadurch nicht umfassend und exakt berichtet werden.

Compliance und Nachhaltigkeit in der Lieferkette

Die Einhaltung von nachhaltigen Kriterien in der Lieferkette spielt eine entscheidende Rolle für das Nachhaltigkeitsmanagement der ANDRITZ-GRUPPE. Aus diesem Grund wurde auf Basis des allgemeinen Verhaltenskodex eine spezifische Richtlinie für Lieferanten entwickelt, in der die Mindestanforderungen für die Zusammenarbeit mit ANDRITZ definiert sind. Die Implementierung dieser Richtlinie sowie die Überprüfung der Lieferanten-Compliance und Nachhaltigkeit liegen bei einer eigens dafür geschaffenen Stelle innerhalb der globalen Einkaufsorganisation.

Bereits im ersten Auswahlverfahren müssen Lieferanten schriftlich bestätigen, dass sie den Lieferantenkodex akzeptieren und einhalten werden. Darüber hinaus sind die Lieferanten angehalten, ihre Aktivitäten im Bereich Compliance und Nachhaltigkeit mittels Fragebogen zu dokumentieren, damit gegebenenfalls vonseiten der ANDRITZ-Einkaufsorganisation korrektive Maßnahmen angestoßen werden können.

Um in den Schwellenländern die Einhaltung der hohen Standards hinsichtlich Menschenrechte und faire Arbeitsbedingungen, Umwelt, Integrität im Geschäftsverkehr, Exportkontrolle und Recht am geistigen Eigentum zu überprüfen, hat ANDRITZ zwei Auditoren in China und Indien eingesetzt. In Indien wurden bereits 33 Lieferanten auditiert. Sämtliche Auffälligkeiten werden in Berichten dokumentiert und mit den Lieferanten besprochen. Diese

müssen innerhalb einer gewissen Frist Verbesserungsmaßnahmen bekannt geben, deren Umsetzung auch überprüft und bewertet werden.

Das Verständnis der Lieferanten in Bezug auf die Nachhaltigkeitsgrundsätze sollte idealerweise zur Selbstverpflichtung aus Überzeugung werden. Daher werden seit Oktober 2016 die Anforderungen an Geschäftspartner und die Inhalte des Verhaltenskodex mittels Online-Schulungen verdeutlicht, um die Kompetenzen innerhalb der ANDRITZ-Einkaufsorganisation und der Lieferkette zu verbessern. Das Training ist derzeit in sechs Sprachen verfügbar und wurde 2017 von 85% der Mitarbeiter, die in ihrer täglichen Arbeit mit dem Einkauf zu tun haben, absolviert. Beinahe 500 Mitarbeiter von Zulieferern haben das Training ebenfalls erfolgreich durchgeführt.

Im kommenden Jahr sollen die Lieferantenaudits weiter ausgebaut und standardisiert werden, um Compliance bei den Lieferanten nachhaltig zu etablieren. Im Jahr 2018 soll auch das Risikomanagement entlang der Lieferkette optimiert werden.

Qualitätsmanagement

Qualitätsmanagement in der ANDRITZ-GRUPPE umfasst Produkte und Anwendungen, Geschäftsprozesse sowie Sicherheits- und Umweltfragen und wird gesamtheitlich betrachtet. Globale Vorgaben und Standards verbessern das allgemeine Verständnis für Prozesse, Funktionen und die Zusammenarbeit sowie klare Verantwortlichkeiten. Damit sollen die Transparenz erhöht, Risiken minimiert und die Mitarbeiter in ihrer täglichen Arbeit unterstützt werden.

Im Arbeitsalltag sind die Qualitätsvorgaben entlang der Geschäftsbereiche bzw. auf lokaler Ebene strukturiert und finden sich für die Mitarbeiter leicht zugänglich im Intranet. Das Qualitätsmanagement begleitet Aufträge vom Auftrag bis zur endgültigen Abwicklung. Auch für die unterstützenden Aktivitäten, wie IT oder Kommunikation werden Richtlinien vorgegeben.

Externe Verifizierungen bestätigen die konsequente und wirksame Umsetzung der Standards. Mittlerweile sind 33 Standorte nach OHSAS 18001 (Arbeitssicherheit), und 25 nach ISO 14001 (Umweltmanagement) zertifiziert; weitere sollen folgen. Darüber hinaus sind alle Produkte intern und extern zertifiziert (Maschinenrichtlinie, ASME, NR 12, GB 150, ISO, ANSI, EN und DIN). Sie erfüllen damit höchste Standards und werden laufend auf mögliche gesundheitliche und sicherheitstechnische Auswirkungen überprüft.

Arbeitssicherheit

Arbeitssicherheit hat bei ANDRITZ höchste Priorität und deshalb bestehen hohe Standards sowohl in den eigenen Fertigungsstätten als auch auf Baustellen.

Das Gesundheits- und Sicherheitsmanagement orientiert sich inhaltlich stark an den Grundregeln der OHSAS 18001-Zertifizierung und ist Teil des integrierten Managementsystems. Auf Gruppenebene berichtet der Health, Safety and Environmental Officer an den Head of Group Quality and Safety Management. Die Letztverantwortung für Arbeitssicherheit liegt beim Vorstand.

Durch die seit dem Frühjahr 2016 laufende Initiative „Safety first“ soll das Bewusstsein der Mitarbeiter für Sicherheit am Arbeitsplatz nachhaltig verankert und in den Arbeitsalltag integriert werden. Erste Erfolge zeigten sich in der Verringerung der Unfallhäufigkeitsrate um ein Prozent (2017: 6,1%, 2016: 7,1%). Ziel ist es, die Unfallhäufigkeit jedes Jahr um 30% zu senken, um langfristig gänzlich unfallfrei zu arbeiten.

Arbeitsunfälle

| | 2017 | 2016 |
|--|------|------|
| Arbeitsunfälle (mit mehr als drei Ausfalltagen) | 304 | 362 |
| Unfallhäufigkeit (Unfälle mit mehr als drei Ausfalltagen pro 1 Million Arbeitsstunden) | 6,1 | 7,1 |
| Tödliche Arbeitsunfälle (in der Fertigung und auf Baustellen) | 1 | 1 |
| Unfallschwere (Ausfallszeiten in Stunden pro Unfall) | 144 | 132 |

Die gruppenweite Sicherheitsrichtlinie legt Mindeststandards für die Arbeitssicherheit fest. Ihre Umsetzung und Anwendung ist für alle Standorte und Baustellen verbindlich. Auf lokaler Ebene müssen die Standortleiter unter ihrem Vorsitz einen Ausschuss für Arbeitssicherheit sowie einen für Notfälle einrichten, und ein jährliches Gesundheits- und Sicherheitsprogramm erstellen, umsetzen und aufrechterhalten. Der Ausschuss muss nicht nur sämtliche Vorschriften erfüllen, sondern auch Risikobewertungen durchführen und dokumentieren. Darüber hinaus müssen die Standorte eine Kompetenzmatrix und einen Jahresplan für Sicherheitsschulungen erstellen und durchführen.

Die Sicherheitsfachkräfte aller Standorte müssen sämtliche Unfälle in allen Einzelheiten dokumentieren, damit aus vergangenen Unfällen gelernt werden kann und entsprechende Maßnahmen zur Vermeidung zukünftiger Unfälle getroffen werden können. In den kommenden Jahren sollen durch Schulung bzw. Weiterbildung sogenannte Unfallexperten aus dem eigenen Unternehmen ausgebildet werden.

Um sich ein genaues Bild vor Ort zu machen, wurden an jenen Standorten, an denen viele Unfälle passiert sind, Sicherheitsaudits durchgeführt. Auf Basis dieser Audits wurden bereits erste Verbesserungsmaßnahmen durchgeführt. Auch interne Rankings sollen die einzelnen Standorte motivieren, vermehrt auf sichere Abläufe im Arbeitsalltag zu achten und sich gegebenenfalls zu verbessern.

Trainings zur Bewusstseinsbildung

Basis-Schulungen für Arbeitssicherheit werden gruppenweit regelmäßig für neue Mitarbeiter durchgeführt; arbeitsplatzbezogene Trainings müssen von den Standorten selbst organisiert werden.

Auf Gruppenebene wurde im vergangenen Jahr eine zweitägige Schulung mit Projektmanagern, Kommissionären und Supervisors durchgeführt, um zu verdeutlichen, wie Sicherheitsplanung und -umsetzung auf Baustellen und in der Projektabwicklung zu erfolgen hat. 2017 wurden darüber hinaus fünf Schulungen in den für die ANDRITZ Geschäftstätigkeiten relevanten Regionen durchgeführt.

Fertigung

In weltweit rund 130 Service- und Fertigungsstandorten werden maßgeschneiderte Schlüsselkomponenten sowie Ersatz- und Verschleißteile für Anlagen und Maschinen von ANDRITZ produziert. Rund zwei Drittel davon befinden sich in Europa und Nordamerika, ein Drittel in den aufstrebenden Ländern Asiens, Südamerikas und Osteuropas. Jeder Standort produziert projekt- bzw. auftragsbezogen und für unterschiedliche – manchmal auch mehrere – Geschäftsbereiche der Gruppe.

Die Fertigungsstrategie von ANDRITZ fokussiert auf die Herstellung von technologie- und qualitätskritischen Kernkomponenten, alles andere wird weitgehend bei qualifizierten Lieferanten zugekauft. Dadurch können Auslastungsschwankungen besser ausgeglichen und eigene Fertigungskapazitäten optimal ausgelastet werden. Exakte Planung, hoher Einsatz und Flexibilität seitens der Mitarbeiter sind wesentliche Erfolgsfaktoren, um kurze Auftragsdurchlaufzeiten und hohe Termintreue zu garantieren.

Investitionen konzentrieren sich einerseits auf den Auf- und Ausbau von Fertigungskapazitäten in den aufstrebenden Ländern Asiens und Südamerikas sowie in Zentral- und Osteuropa, andererseits auf die Modernisierung bestehender Standorte in Zentraleuropa und Nordamerika.

Um Fertigungsprozesse möglichst exakt zu planen, aber auch schonend und effizient mit den zur Verfügung stehenden Ressourcen umzugehen, werden von der Gruppenfunktion Fertigung laufend Optimierungs- und Verbesserungsprojekte initiiert und umgesetzt.

Eines davon ist das „Manufacturing Execution System“ (MES), das die Fertigung in Echtzeit lenken, steuern und kontrollieren soll. Ziel ist es, alle Daten zu Planung, Durchlaufzeit und Kosten bis hin zu Maschinen- und Betriebsdaten zentral über eine IT-Lösung zu sammeln, die bei Bedarf auch lokal angepasst werden kann. Der Vorteil liegt in der Verknüpfung von allen wichtigen Informationen auf einer Plattform. Vor allem im Falle von Umplanungen oder Abweichungen aufgrund von Nacharbeit, Änderungen von Lieferdaten, fehlenden Materialien etc. werden große Erleichterungen erwartet. MES ist auch ein Baustein für weitere Entwicklungen im Bereich der Digitalisierung.

Ein zweites System zur kontinuierlichen Verbesserung der Fertigungsprozesse ist das ANDRITZ Production System (APS). Durch APS soll die Performance an den Standorten verbessert werden. In den vergangenen beiden Jahren wurden die Kernelemente aufgesetzt, entwickelt und das System an allen Standorten ausgerollt. Der Fokus liegt auf drei verschiedenen Ebenen:

Die erste Stufe umfasst die Beurteilung und das Finden von Verbesserungspotenzialen an den einzelnen Produktionsstandorten; dies wurde beinahe flächendeckend durchgeführt.

Die zweite Stufe, das sogenannte „Shop Floor Management“, soll helfen, die Kommunikation am und zwischen den Standorten zu verbessern, mehr Transparenz zu schaffen, Probleme schneller zu lösen und langfristig die Effizienz zu steigern. Mittlerweile sind zwei Drittel der produktiven Fertigungsstunden mit Shop Floor Management abgedeckt.

Die dritte Stufe fokussiert auf die Optimierung der Betriebsabläufe, die nur durch Schulung entsprechender Fachkompetenzen erreicht werden kann. Das „Lean Trainingsprogramm“ unterstützt die Mitarbeiter der Fertigung durch gezielte Schulungen zum Erreichen der definierten Ziele.

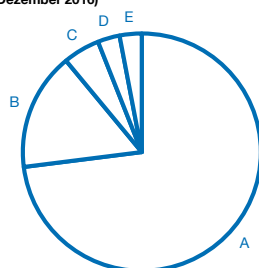
Energiekennzahlen

Die Umweltdaten der größten ANDRITZ-Produktionsstandorte (91% der gesamten jährlichen Fertigungskapazität) werden auf regelmäßiger Basis erhoben, kontrolliert und mögliche Verbesserungsmaßnahmen abgeleitet.

61% der erhobenen Fertigungsstandorte liegen in Europa, 16% in Nordamerika, 10% in Südamerika, 8% in China und 4% in Indien. Diese Zahlen korrelieren auch mit dem Stromverbrauch: Am meisten Strom wird in Europa verbraucht, gefolgt von Nordamerika, China, Südamerika und Indien.

**Energieverbrauch nach Regionen
per 31. Dezember 2017 in %**

(31. Dezember 2016)



| | | | |
|---|-----------|------|--------------------|
| A | 73 | (73) | Europa |
| B | 16 | (17) | Nordamerika |
| C | 5 | (6) | China |
| D | 3 | (1) | Südamerika |
| E | 3 | (3) | Asien (ohne China) |

Der Gesamtstromverbrauch in der Gruppe stieg gegenüber dem Vorjahr leicht an und betrug 197.305.539 kWh (2016: 180.532.508 kWh). Die CO₂-Emissionen, die aufgrund des Stromverbrauchs, der Heizungsenergie und Prozesswärme entstanden sind (Scope 1; Energieverbrauch im Unternehmen), betragen für das Jahr 2017 170.832 Tonnen (2016: 110.360 Tonnen). Der starke Anstieg im Jahresvergleich resultiert aus der verbesserten Datenerhebung im Jahr 2017, bei der erstmals auch nach Energieträgern bei Fernwärme und Stromverbrauch unterschieden wurde.

Rund 85% des Stromverbrauchs der Gruppe werden direkt in der Fertigung – größtenteils für die Produktionsprozesse – verbraucht. Der restliche Stromverbrauch ist auf Beleuchtung, EDV Einrichtungen und gegebenenfalls durch elektrische Heizung zurückzuführen.

An allen ANDRITZ-Standorten weltweit werden alle sechs Hauptgruppen der Fertigungsverfahren angewendet: Formgebung und Gießen wird vor allem elektrisch und hauptsächlich unter Anwendung von Induktionsöfen durchgeführt. Auch die weiteren Verfahren, wie Walzen, Pressen, Zerspanen, Schweißen, Lötten und Kleben erfolgen mit Hilfe von strombetriebenen Maschinen. Einzig Härten und Glühen werden hauptsächlich mit gasbetriebenen Maschinen durchgeführt. Grundsätzlich sind die Produktionsprozesse in der ANDRITZ-GRUPPE wenig energieintensiv (Ausnahme: ein Standort mit angeschlossener Gießerei in Nordamerika).

Energieverbrauch im Unternehmen

| | Einheit | 2017 | 2016 |
|--|---------|-------------|-------------|
| Heizöl (für Heizung und Fertigungsprozesse) | MJ | 102.205.463 | 92.232.031 |
| Erdgas (für Heizung und Produktionsprozesse) | MJ | 536.081.125 | 531.325.296 |
| Fernwärme | kWh | 30.527.041* | 20.347.838 |
| Flüssiggas | MJ | 30.589.718 | 32.516.426 |
| Diesel | MJ | 23.062.247 | 22.203.884 |
| Benzin | MJ | 6.362.964* | 3.957.017 |

* Die Steigerung resultiert im Wesentlichen darin, dass zwei große Fertigungsstandorte in China und Deutschland erstmalig in die Datenerhebung einbezogen wurden.

Der Großteil des Energie- und Kraftstoffverbrauchs (Heizöl, Erdgas, Fernwärme) wird für die Heizung der Betriebsräumlichkeiten aufgewendet. Darüber hinaus benötigen einige wenige Produktionsprozesse zur Durchführung Öl. So wird etwa an einem Standort in Deutschland Schweröl zur Beheizung der Pressen verwendet; im

kommenden Jahr soll dies jedoch auf Gas umgestellt werden. An einem weiteren deutschen Standort wird Öl in Webstühlen für Metallgitter benötigt. Erdgas wird vor allem im Betrieb von Härte- und Glühöfen gebraucht. Benzin und Diesel werden für Betriebsfahrzeuge verwendet, Flüssiggas für den Betrieb von Hubstaplern, und in manchen Ländern auch für Fahrzeuge.

ANDRITZ ist bestrebt, den Energie- und Kraftstoffverbrauch in der Produktion zu senken. Jährliche Schwankungen beim Verbrauch sind überwiegend auf die unterschiedliche Auslastung je Auftragslage und Projekte zurückzuführen und machen sehr detaillierte Vergleiche mit den Vorjahren schwierig.

Ressourcen sind wertvoll und nicht unerschöpflich. Daher liegt ein besonderes Augenmerk auf der Schonung und Wiederverwendung von Materialien. Der effiziente Einsatz des Materials, die Minimierung von Ausschuss und Abfällen und ein sparsamer Energieverbrauch in der Materialbearbeitung spielen eine wesentliche Rolle. Der mengenmäßig größte Anteil an Abfällen fällt im Bereich Fertigung bei Stahlmaterialien an. Metallabfälle werden sortenrein getrennt und der Wiederverwertung zugeführt. Auch Abfälle wie Kunststoff aus Verpackungen, Abfälle aus Holzkisten und Kartonagen sowie Altpapier werden gesammelt und verwertet.

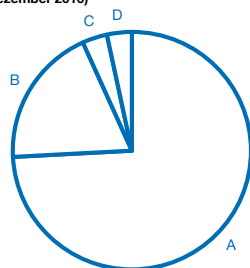
Ungefährlicher Restmüll und Sonderabfälle werden entsprechend den gesetzlichen Bestimmungen gesammelt und entsorgt. Bei der Entsorgung von gefährlichen Stoffen achtet man besonders auf die Einhaltung aller behördlichen Auflagen und Aufzeichnungspflichten.

Wasserverbrauch

Der Wasserverbrauch im vergangenen Jahr betrug 591.344 m³ (2016: 415.555 m³). Die Steigerung resultiert im Wesentlichen darin, dass zwei große Fertigungsstandorte in China und Deutschland erstmalig in die Datenerhebung einbezogen wurden. Wasser wird hauptsächlich aus dem öffentlichen Netz bezogen, an wenigen Standorten wird auch Gebrauchswasser wieder aufbereitet bzw. Wasser aus betriebseigenen Brunnen verwendet. Der Wasserverbrauch setzt sich aus Prozesswasser für Produktionsanlagen (inkl. Kühlwasser) sowie Trinkwasser und Wasser für den Sanitärbereich zusammen. Ein kleiner Anteil wird auch für hydraulische Versuchsstände benötigt.

Wasserverbrauch in der Fertigung per 31. Dezember 2017 in %

(31. Dezember 2016)



| | | |
|---|----------------|----------------------------------|
| A | 88 (89) | Wasser aus dem öffentlichen Netz |
| B | 6 (3) | Grundwasser |
| C | 3 (2) | Oberflächenwasser |
| D | 3 (3) | Regenwasser |

Achtung der Menschenrechte bei der Durchführung von Projekten

Im Zusammenhang mit Lieferungen für einzelne Großprojekte ist ANDRITZ oft Kritik von NGOs ausgesetzt. Vor der Teilnahme an Projekten erhebt und analysiert ANDRITZ alle dazugehörigen Fakten. Geprüft wird unter anderem, ob sämtliche Genehmigungen für das jeweilige Projekt vorhanden sind und ob die jeweiligen lokalen gesetzlichen Bestimmungen voll und ganz eingehalten werden.

Bedenken zu einzelnen Projekten werden von ANDRITZ sehr ernst genommen. Gerade dem Schutz von Menschenrechten wird ein hoher Stellenwert beigemessen. Weiters werden Arbeitssicherheit, Gesundheit und Sicherheit der Bevölkerung, Landerwerb und Umsiedlungen, Schutz von Kulturerbe sowie die Konsultations- und Einspruchsmöglichkeiten der vom Projekt betroffenen Menschen im Vorfeld genau untersucht.

ANDRITZ hält sich selbstverständlich an die jeweiligen gesetzlichen Bestimmungen bzw. an etwaige projektbezogene Auflagen. ANDRITZ bekennt sich darüber hinaus zu erhöhtem Arbeitsschutz und strikter Einhaltung von Menschenrechten, die in unterschiedlichen unternehmensinternen Regelwerken festgeschrieben sind. ANDRITZ unterstützt darüber hinaus alle Kunden dabei, bestmögliche Bedingungen zu schaffen, um die sozialen und ökologischen Auswirkungen auf ein Minimum zu reduzieren.

Forschung & Entwicklung

Im Berichtsjahr wendete die ANDRITZ-GRUPPE für Forschungs- und Entwicklungstätigkeiten 95,3 MEUR auf (2016: 87,5 MEUR). Inklusive auftragsbezogener Arbeiten betragen die Forschungs- und Entwicklungsaufwendungen rund 3% des Umsatzes.

Die ANDRITZ-GRUPPE hat derzeit rund 6.100 Patentrechte. 75% davon sind bereits erteilt, der Rest befindet sich in Prüfung. Darüber hinaus hält die Gruppe die Rechte an rund 2.200 Produktmarken.

Steigende Bevölkerungszahlen, hohe Urbanisierungsraten und zunehmender Energiebedarf sorgen dafür, dass konventionelle Energieträger in naher Zukunft an ihre Grenzen stoßen werden. Unter Berücksichtigung gegenwärtiger Verbrauchsdaten und basierend auf internationalen Studien ist absehbar, dass die Nutzung fossiler Brennstoffe in einigen Jahrzehnten nicht mehr oder nur mehr eingeschränkt möglich sein wird. Integrierte Lösungen, die fossile und erneuerbare Energien kombinieren, sind daher bereits heute gefragt und werden zukünftig einen noch größeren Stellenwert einnehmen. ANDRITZ fokussiert sich in diesem Zusammenhang auf die Weiterentwicklung von Produkten, die dem Klimawandel entgegenwirken. Bereits jetzt erzielt ANDRITZ knapp 50% des Umsatzes aus „grünen“ Produkten, die zur Nachhaltigkeit und Ressourcenschonung beitragen.

Die wesentlichen F&E-Projekte der Geschäftsbereiche:

Hydro

Die Digitalisierung von Prozessen sowie der Einsatz von intelligenten Produkten im Betrieb und der Wartung von Wasserkraftanlagen ist ein wesentlicher Schwerpunkt der Forschungs- und Entwicklungsarbeit des Geschäftsbereichs. Ziel ist die Steigerung der Effizienz und der Rentabilität der Kundenanlagen.

Die Automatisierungsplattform HIPASE für Schutz-, Erregungs- und Synchronisierungssysteme sowie Turbinenregler, die speziell für den Einsatz in Wasserkraftwerken entwickelt und vergangenes Jahr erfolgreich am Markt eingeführt wurde, deckt unterschiedliche Anwendungen in einem einheitlichen Hard- und Softwaresystem ab. Zudem kommt ein einheitliches Engineering-Tool zur Anwendung. Mittels HIPASE können Kosten und Konstruktionsaufwand bei der Konfiguration und Installation des Automatisierungssystems signifikant reduziert werden. Weitere Vorteile sind einfachere Bedienbarkeit und Wartbarkeit des Systems im Kraftwerksbetrieb.

Der Geschäftsbereich bietet unter dem Namen Metris DiOMera ein integriertes System zur Überwachung der Maschinen und Optimierung von Wartungsintervallen durch Condition Based Maintenance (CBM) und Predictive Maintenance an. Im Fokus stehen Ertragsoptimierung, Reduktion der Wartungskosten und Risikominimierung. Digitalisierung wird auch zur Entwicklung neuer Lösungen für die internen Prozesse eingesetzt. So konnte im Jahr 2017 das neue Generatoren-Auslegetool GECCO global ausgerollt werden. Dabei handelt es sich um eine moderne Softwarelösung, mit der der Auslegeprozess in Verkauf und Abwicklung global harmonisiert wird und die die Integration weiterer, umfassend digitalisierter Prozesse ermöglicht.

Pumpspeicherung ist weltweit die mit Abstand wichtigste Energiespeichertechnologie für Langzeitspeicherung und Stabilisierung des Elektrizitätsnetzes. Durch intensive Entwicklungsarbeit – sowohl im hydraulischen Labor als auch mit komplexen Simulationen am Computer – konnten Wirkungsgradniveau und Betriebsstabilität der von ANDRITZ angebotenen Pumpenturbinen – ausgehend von einem bereits sehr guten Niveau – weiter gesteigert werden.

Im Segment der Pumpen wurden maßgeschneiderten Betonspiralpumpen für den Wassertransport entwickelt. Die Technologie der mehrstufigen Pumpen wurde im Hinblick auf Hochdruckanwendungen systematisch erweitert und durch einen dreistufigen Laborversuch bestätigt. Das Standardpumpenportfolio wurde mit den neuen Typen der Marke ES05 ergänzt. Diese einstufigen Kreiselpumpen zeichnen sich durch einen im Branchenvergleich sehr geringen Energieverbrauch aus und sind somit die ideale Pumpenlösung für Wasserversorgung und Transport in verschiedensten Industrien. Deren Markteinführung wurde bereits erfolgreich am neuen Standort in Indien gestartet.

Pulp & Paper

Im Bereich der Zellstofferzeugung sind Umweltverträglichkeit, Energie- und Rohstoffeffizienz, die vollständige Wiederverwertung aller Nebenprodukte in der Zellstofferzeugung sowie der Betrieb ohne fossile Brennstoffe die zentralen Themen der Forschungs- und Entwicklungsarbeit. In den letzten Jahren wurden einige innovative Produkte entwickelt und bereits erfolgreich am Markt verkauft.

Dazu zählt etwa der HHQ-Chipper, der Holzchips aus Rundholz mit bis zu 30% weniger Energie produzieren kann, und eine höhere Ausbeute sowie einen niedrigeren Chemikalienverbrauch in der nachfolgenden Verarbeitung ermöglicht. Auch die 360° Lagerungs- und Austragstechnologie, ein Hackschnitzzellagerungssystem, das hilft, den Feuchtegehalt im Holz zu senken, kann erste Referenzen auch in kalten Klimazonen vorweisen. Die HHQ-Rindenpressen, die bereits bei Kunden in Betrieb sind, steigern den Trockengehalt in der Rinde um 5%. Dadurch kann die Energieausbeute um bis zu 15% erhöht werden.

Die Weiterentwicklung des D-Screens, der in Altpapieraufbereitungslinien verwendet wird, soll die Betriebssicherheit weiter verbessern. Das neue Design bietet eine verbesserte Zugänglichkeit zur Maschine und ermöglicht kürzere Ausfallzeiten und einfachere Wartung.

ANDRITZ ist der führende Hersteller von Auflösetrommeln (Fibre Flow Drums FFD) für die Zellstofferstellung aus Altpapier. 2017 wurde eine kleine Auflösetrommel entwickelt, die hauptsächlich in Tissueproduktionsanlagen mit einer Kapazität von weniger als 200 Tonnen pro Tag eingesetzt werden kann.

Nach zwei Jahren Entwicklung wurde der erste ANDRITZ Vertical Screw Thickener (VST) erfolgreich in einer Halbzellstoff-Anlage in Thailand installiert. Die Inbetriebnahme dauerte nur einen Tag, die Designparameter waren bereits nach drei Tagen Betrieb erreicht. Der VST entwässert pro Tag 240 Tonnen ungebleichten Halbzellstoff von 6% bis 30%iger Konsistenz und verbessert die Waschleistung der Faserproduktionslinie deutlich.

Im Bereich der Automatisierung liegt der Fokus der Forschungs- und Entwicklungsarbeit auf der Online-Fernunterstützung von Kunden, der digitalen Bildverarbeitung sowie diversen Sensorikprojekten, wie zum Bei-

spiel Abnutzungssensoren für Rotationsbarren im Refiner, Vibrationsmessung zum Refinerplattenschutz oder Sensoren zur Plattenabstandsmessung während der Rotation.

Darüber hinaus wurde eine Technologie für den Betrieb der bewährten IDEAS-Simulationssoftware in Echtzeit entwickelt, die direkt mit dem Kontrollzentrum einer in Betrieb stehenden Anlage verknüpft ist. Dadurch können Messungen ohne vorliegende "historische" Daten durchgeführt werden, was einen massiven Vorteil gegenüber der reinen Analyse von Daten darstellt.

ANDRITZ baute das weltweit modernste Forschungs- und Entwicklungszentrum für Hygienepapiere in Graz, Österreich. Das *PrimeLineTIAC* – Tissue Innovation and Application Center – ermöglicht es allen Stakeholdern der Hygienepapierindustrie, Produktionstests und Forschungsaktivitäten unter industriellen Rahmenbedingungen durchzuführen. Das Zentrum enthält eine komplette Produktionslinie für Hygienepapier, die acht verschiedene Maschinenkonfigurationen samt Stahlzylinder, TAD-Trommeln und einer modernen Stoffaufbereitungslinie anbietet.

Metals

Die strengeren Vorschriften bezüglich CO₂-Emissionen in vielen Ländern bestimmen derzeit die Weiterentwicklung von Leichtbauwerkstoffen für Karosserieteile. Dieser Entwicklung begegnet der Geschäftsbereich Metals mit einer Anpassung bzw. Neuentwicklung von Produktionsanlagen und Maschinen.

Für die Produktion von hochfesten Stählen konstruiert ANDRITZ ständig neue Lösungen für die Durchführung des erforderlichen Glühzyklus im Bandbehandlungssofen und das Walzen der neuen hochfesten Stahlsorten in Kaltwalzwerken.

Lasergeschweißte Platinen optimieren Gewicht und Crashverhalten von Autos. ANDRITZ entwickelte dafür Hochleistungs-Laserschweißmaschinen, die bereits mehrfach erfolgreich in Betrieb genommen wurden. Eine weitere bedeutende Entwicklung zur Gewichtsoptimierung der Rohkarosse ist der Einsatz von pressgehärtetem Stahl. Dadurch muss bei höherer Festigkeit weniger Material eingesetzt werden, was bei hoher Crashperformance Gewicht spart. Der Einsatz von pressgehärtetem Stahl in Platinen erfordert eine zusätzliche neue Technologie für die Entfernung der Oberflächenbeschichtung (Ablation) des pressgehärteten Stahls vor dem Laserschweißen. Diese Ablationstechnologie ist sowohl inline, das heißt integriert, in die Laserschweißmaschine als auch offline, also als eigenständige Ablationsanlage von ANDRITZ verfügbar. Eine weitere Maßnahme im Leichtbau der Automobilserienfertigung ist die Verwendung von Aluminium anstelle von Stahl. ANDRITZ entwickelte und realisierte eine patentierte Technologie – ein Verfahren zur Regelung der Aufwickeltemperatur eines Metallbands – für Behandlungslinien von Aluminiumherstellern in Europa und Amerika.

Im Bereich Industrie 4.0 wird die in der Zellstoff- und Papierindustrie bereits vielfach erprobte Anwendung *Metris OPP* (Optimization of Process Performance) an die Anforderungen der Metallindustrie angepasst. Fokus ist die Senkung des Energie- und Rohstoffverbrauchs und der Abwassermengen der Kundenanlagen. Zudem wird an physischen Modellen und Simulationen gearbeitet, um mit sogenannten digitalen Zwillingen (3D-Simulation) das Operatortraining sowie die Steuerung von Prozesslinien und Walzwerke zu simulieren. Das resultiert in einer schnelleren Inbetriebnahme und steileren Hochlaufkurve der Anlage.

Schuler entwickelte im Jahr 2017 die neue Servo-Schmiedepresse MSE 2000. Damit lassen sich in derselben Zeit deutlich mehr Teile produzieren als mit herkömmlichen Maschinen. Gleichzeitig verlängert sich die Lebensdauer des Gesenks signifikant, während sich der Energiebedarf der gesamten Maschine reduziert.

Schuler setzt mit einer neu entwickelten Servopresse die MSP-Baureihe fort: Nach den 100 und 200 Tonnen starken Stanzautomaten bietet Schuler in der Umformtechnik nun auch eine Maschine mit 400 Tonnen Presskraft, die über das innovative Antriebskonzept verfügt. Die neue Pressengeneration richtet sich an Kunden, die großen

Wert auf ein ausgewogenes Kosten-Nutzen-Verhältnis legen, ohne dabei auf die flexible ServoDirekt-Technologie und eine einfache Bedienung verzichten zu wollen.

Separation

Die Forschungs- und Entwicklungsarbeit des Geschäftsbereichs konzentriert sich vor allem auf die Reduktion von Produktionskosten bei gleichzeitiger Erhöhung der Effizienz und Produktivität. Im Servicebereich kommt man vor allem der Kundenanforderung nach, den Lebenszyklus von Maschinen zu verlängern.

Die neu entwickelte C-Pressen basiert auf einer über 20-jährigen Erfahrung in der Konstruktion und Herstellung von Schneckenpressen. Die Kombination der verschiedenen Entwässerungstechnologien und die speziell für eine einfache Anwendung entwickelten Features ermöglichen einen bedienerlosen Schlammwässerbetrieb der C-Pressen mit sehr geringen Energie- und Wartungskosten.

Im Bereich der Trommeltrocknung wurde ein extrem schneller Messerwechsel entwickelt. Einwegmesser, die innerhalb von ein bis zwei Minuten ersetzt werden können, reduzieren den Produktionsausfall auf ein Minimum. Da sich die dünne Klinge automatisch an die Oberfläche der Haupttrommel anpasst, sind auch keine Messeranpassungen erforderlich. Spannungen im Material des Messers wird vorgebeugt, indem das Messer nicht geklemmt wird und es sich durch die Erwärmung während des Betriebs dehnt. Dies bietet wiederum die besten Schabereigenschaften für die Trommeltrocknung.

Die Seitenholmsfilterpresse SP ist die erste Filterpresse von ANDRITZ mit Air-over-Oil-Technologie. Durch den pneumatischen Antrieb werden weder Strom noch elektrische Komponenten benötigt. Diese kostengünstige Technologie bietet eine leichte Handhabung und kann einfach mittels „Plug & Play“ installiert werden.

Mit PUREVO bietet ANDRITZ eine Zentrifuge für die Pharmaindustrie an, die besonderes Augenmerk auf einen sauberen, hygienischen Betrieb in Verbindung mit vereinfachter Instandhaltung legt.

Metris addIQ ist die plattformunabhängige Steuerung für Maschinen und Anlagen im Bereich der Fest-Flüssig-Trennung für neue Installationen, Modernisierungen und Optimierungen mittels Automatisierung. Das Produkt ist einzigartig, weil Metris addIQ-Lösungen Know-How mit Automatisierungswissen in intelligenten Steuerungslösungen verbinden. Durch die Hard- und Softwareharmonisierung können Kosteneinsparungen im dreistelligen Bereich erzielt werden.

AUSBLICK

Wirtschaftsexperten erwarten für 2018 eine Fortsetzung des Konjunkturaufschwungs in den wichtigsten Wirtschaftsregionen der Welt. Nach Einschätzung von Wirtschaftsökonomen soll die Weltwirtschaft um rund 3,9% wachsen (2017: 3,7%). Sowohl in den USA und Europa als auch in den wichtigsten aufstrebenden Ländern Asiens und Südamerikas ist mit robustem Wirtschaftswachstum zu rechnen.

Die Aussichten für die ANDRITZ-Geschäftsbereiche sind im Vergleich zum Vorjahr im Wesentlichen unverändert. Im Geschäftsbereich Hydro ist mit einer Fortsetzung der insgesamt moderaten Marktentwicklung für elektromechanische Ausrüstungen für Wasserkraftwerke zu rechnen. Viele Modernisierungsprojekte, vor allem in Europa, sind aufgrund der unverändert niedrigen Stromgroßhandelspreise nach wie vor verschoben oder vorübergehend gestoppt. Einige größere neue Wasserkraftwerksprojekte, vor allem in Südostasien und Afrika, sind in Planung; selektiv ist die Vergabe einzelner Großaufträge wahrscheinlich. Die Projekt- und Investitionsaktivität im Bereich Pulp & Paper sollte auch im Jahr 2018 unverändert hoch bleiben, sowohl für die Modernisierung bestehender Anlagen als auch die Errichtung neuer Zellstoffwerke. Gemäß Einschätzung von Marktexperten wird der internationale Zellstoffmarkt von anhaltend hoher Nachfrage für Tissuepapier und Kartons/Verpackungen, insbesondere aus aufstrebenden Ländern, unterstützt bleiben. Gleichzeitig kommen in den nächsten zwei Jahren nur wenig neue Zellstoffproduktionskapazitäten auf den Markt. Im Bereich Metallumformung (Schuler) wird mit einer im Vergleich zum Jahr 2017 gleichbleibenden Projektaktivität gerechnet. Im Bereich Metals Processing (Anlagen zur Produktion und Veredelung von Stahlband) wird eine unverändert solide Investitionsaktivität erwartet. Auch im Geschäftsbereich Separation ist eine Fortsetzung der positiven Marktentwicklung zu erwarten.

ANDRITZ wird auch im Jahr 2018 den Fokus auf die Schaffung von internem Wachstum durch die Einführung neuer Produkte legen. Insbesondere im Bereich der Digitalisierung wird der Auf- und Ausbau des Produkt- und Serviceangebots zur Vernetzung von Maschinen und Anlagen forciert. Gleichzeitig werden weitere Möglichkeiten zur Akquisition von Unternehmen geprüft, die das Produktportfolio in den vier Geschäftsbereichen ergänzen. Ein weiterer Schwerpunkt ist die Optimierung der Organisations- und Kostenstrukturen, um die Wettbewerbsfähigkeit der Gruppe insgesamt aber auch in einzelnen Geschäftsbereichen zu gewährleisten bzw. zu erhöhen.

Basierend auf den oben angeführten Erwartungen zur Entwicklung der gesamtwirtschaftlichen Rahmenbedingungen sowie der Projekt- und Investitionsaktivität in den Geschäftsbereichen erwartet die ANDRITZ-GRUPPE für das Geschäftsjahr 2018 eine insgesamt zufriedenstellende Geschäftsentwicklung.

Sollte sich 2018 die globale Weltwirtschaft jedoch entgegen den allgemeinen Erwartungen eintrüben, ist mit negativen Auswirkungen auf die Geschäftsentwicklung von ANDRITZ zu rechnen. Dies könnte zu organisatorischen und kapazitiven Anpassungen sowie möglicherweise daraus entstehende finanziellen Vorsorgen führen, die das Ergebnis der ANDRITZ-GRUPPE negativ beeinträchtigen könnten.

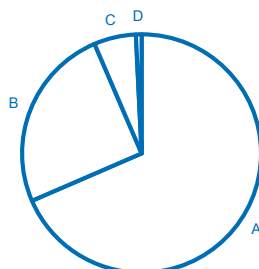
AKTIEN UND AKTIONÄRSSTRUKTUR

Offenlegung gemäß § 243a UGB

Das Grundkapital der ANDRITZ AG per 31. Dezember 2017 betrug 104.000.000 EUR. Auf jede nennwertlose Aktie entfällt damit ein anteiliger Betrag am Grundkapital von 1,00 EUR. Es bestehen keine Beschränkungen, welche die Stimmrechte oder die Übertragung von Aktien betreffen.

ANDRITZ verfügt über eine stabile und ausgewogene Aktionärsstruktur. 25% plus eine Aktie sind im Besitz der Custos Vermögensverwaltungs GmbH und 0,77% im Besitz der Cerberus Vermögensverwaltung GmbH. Die Geschäftsanteile dieser Gesellschaften werden teils direkt und teils indirekt von der Custos Privatstiftung bzw. von Wolfgang Leitner, dem Vorstandsvorsitzenden der ANDRITZ AG, gehalten. 5,72% gehören der Certus Beteiligungs-GmbH, deren Geschäftsanteile sich mittelbar im Eigentum der Manile Privatstiftung befinden. Mit einem Streubesitz von knapp unter 70% stellen nationale und internationale institutionelle Anleger sowie Privataktionäre den Hauptanteil der Aktionäre. Darunter befinden sich mit einem Aktienanteil von 5,76% FMR LLC (Fidelity Management & Research – eine 1946 gegründete US-Fondsgesellschaft mit Sitz in Boston, Massachusetts), mit 3,99% BlackRock, Inc. (eine 1988 gegründete US-amerikanische Investmentgesellschaft mit Sitz in New York City, New York) und mit 3,96% The Capital Group Companies, Inc. (eine 1931 gegründete US-amerikanische Investmentgesellschaft mit Sitz in Los Angeles, Kalifornien). Der Hauptteil der institutionellen Anleger kommt aus Großbritannien, Österreich und Deutschland, jener der Privataktionäre aus Österreich und Deutschland.

Aktionärsstruktur
per 31. Dezember 2017 in %



| | | |
|---|---------------|-------------|
| A | 68,51 | Streubesitz |
| B | 25,00* | Custos |
| C | 5,72 | Certus |
| D | 0,77 | Cerberus |

* 25,00% + 1 Aktie

Es gibt derzeit kein genehmigtes Kapital. Der Vorstand hat auf Basis von Ermächtigungen der Hauptversammlung und mit Zustimmung des Aufsichtsrats Aktienrückkauf- und -wiederverkaufsprogramme beschlossen, welche den Erwerb von bis zu 10.400.000 Stückaktien im Zeitraum 6. November 2013 bis 31. März 2016 bzw. im Zeitraum vom 14. April 2016 bis 30. September 2018 ermöglichen. Dazu ergänzend wurde im Geschäftsjahr 2016 ein Aktienrückkaufprogramm beschlossen, welches den Erwerb von bis zu 2.000.000 Stückaktien im Zeitraum 11. November 2016 bis 30. September 2018 ermöglicht. Es gibt keine sich nicht unmittelbar aus dem Gesetz ergebenden Befugnisse für Mitglieder des Vorstands, insbesondere hinsichtlich der Möglichkeit, Aktien auszugeben oder zurückzukaufen.

Soweit der Gesellschaft bekannt ist, gibt es keine Inhaber von Aktien mit besonderen Kontrollrechten. Die Arbeitnehmer üben das Stimmrecht direkt aus. Es existieren darüber hinaus auch keine sich nicht unmittelbar aus dem Gesetz ergebenden Bestimmungen über die Ernennung und Abberufung der Mitglieder des Vorstands und des Aufsichtsrats sowie über die Änderung der Satzung der Gesellschaft.

Die Gesellschaft ist keine bedeutenden Vereinbarungen eingegangen, die bei einem Kontrollwechsel der Gesellschaft infolge eines Übernahmeangebots wirksam werden, sich ändern oder enden würden.

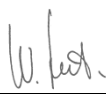
Gemäß der Bedingungen der im Juli 2012 begebenen ANDRITZ-Anleihe 2012-2019 ist jeder Inhaber von Teilschuldverschreibungen berechtigt, seine Teilschuldverschreibungen fällig zu stellen und sofortige Rückzahlung zum Nennbetrag zuzüglich der bis zum Tag der Rückzahlung aufgelaufenen Zinsen zu verlangen, falls ein Kontrollwechsel durch einen neuen Großaktionär erfolgt und dieser Kontrollwechsel zu einer wesentlichen Beeinträchtigung der Fähigkeit der Emittentin führt, ihre Verpflichtungen aus den Teilschuldverschreibungen zu erfüllen.

Gemäß den Bedingungen des im Juni 2017 aufgenommenen Schuldscheindarlehens ist jeder Darlehensgeber bei einem Kontrollwechsel berechtigt, den Betrag der seiner Beteiligung an dem Schuldscheindarlehen entspricht, fällig zu stellen und die unverzügliche Rückzahlung dieses Kapitalbetrags zuzüglich der aufgelaufenen Zinsen bis zum Tag der Rückzahlung zu verlangen. Die Fälligkeitstellung ist nur gültig, wenn die entsprechende Kündigungserklärung innerhalb von 30 Tagen nach der Bekanntmachung des Kontrollwechsels erfolgt.

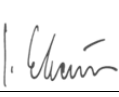
Es existieren Entschädigungsvereinbarungen zwischen der Gesellschaft und Mitgliedern des Vorstands im Falle eines Kontrollwechsels. Es gibt keine Entschädigungsvereinbarungen für die Aufsichtsratsmitglieder und Arbeitnehmer.

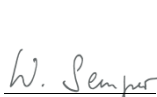
Graz, 23. Februar 2018

Der Vorstand der ANDRITZ AG


Wolfgang Leitner
Vorstandsvorsitzender


Humbert Köfler
Pulp & Paper
(Service & Systemlösungen),
Separation


Joachim Schönbeck
Pulp & Paper
(Neuanlagen),
Metals


Wolfgang Semper
Hydro


Mark von Laer
Finanzvorstand

Disclaimer:

Bestimmte Aussagen im Jahresfinanzbericht 2017 und im Geschäftsbericht 2017 sind „zukunftsgerichtete Aussagen“. Diese Aussagen, welche die Worte „glauben“, „beabsichtigen“, „erwarten“ und Begriffe ähnlicher Bedeutung enthalten, spiegeln die Ansichten und Erwartungen der Geschäftsleitung wider und unterliegen Risiken und Unsicherheiten, welche die tatsächlichen Ergebnisse wesentlich beeinträchtigen können. Der Leser sollte daher nicht unangemessen auf diese zukunftsgerichteten Aussagen vertrauen. Die Gesellschaft ist nicht verpflichtet, das Ergebnis allfälliger Berichtigungen der hierin enthaltenen zukunftsgerichteten Aussagen zu veröffentlichen, außer dies ist nach anwendbarem Recht erforderlich.

Der Jahresfinanzbericht 2017 und der Geschäftsbericht 2017 enthalten Annahmen und Prognosen, die auf Basis aller bis Redaktionsschluss am 23. Februar 2018 zur Verfügung stehenden Informationen getroffen wurden. Sollten die den Annahmen und Prognosen zugrunde liegenden Einschätzungen nicht eintreffen oder die im Kapitel „Unternehmensrisiken“ und im Lagebericht des Jahresfinanzberichts 2017 angesprochenen Risiken eintreten, so können die tatsächlichen Ergebnisse von den im Jahresfinanzbericht 2017 und im Geschäftsbericht 2017 erwarteten Ergebnissen abweichen. Trotz größter Sorgfalt erfolgen daher alle zukunftsbezogenen Aussagen ohne Gewähr.

| | 31.12.2017 | 31.12.2016 |
|---|-------------------------|-------------------------|
| AKTIVA | 2.538.114.627,98 | 2.209.837.637,60 |
| A. Anlagevermögen | 1.692.086.927,85 | 1.686.788.857,41 |
| I. Immaterielle Vermögensgegenstände | 10.627.258,25 | 10.825.797,42 |
| 1. Software, Lizenzen und andere Rechte | 6.159.578,14 | 5.837.716,97 |
| 2. Firmenwert | 4.467.680,11 | 4.988.080,45 |
| II. Sachanlagen | 97.404.884,15 | 71.955.500,04 |
| 1. Grundstücke und Bauten | 45.757.731,28 | 45.369.631,96 |
| 2. technische Anlagen und Maschinen | 10.776.091,23 | 9.447.188,88 |
| 3. andere Anlagen, Betriebs- und Geschäftsausstattung | 6.000.838,41 | 5.994.712,24 |
| 4. geleistete Anzahlungen und Anlagen in Bau | 34.870.223,23 | 11.143.966,96 |
| III. Finanzanlagen | 1.584.054.785,45 | 1.604.007.559,95 |
| 1. Anteile an verbundenen Unternehmen | 1.372.574.851,80 | 1.390.459.275,40 |
| 2. Ausleihungen an verbundene Unternehmen | 209.989.473,15 | 212.638.104,05 |
| 3. Beteiligungen | 2.380,50 | 2.380,50 |
| 4. Wertpapiere des Anlagevermögens | 1.488.080,00 | 907.800,00 |
| B. Umlaufvermögen | 817.418.688,49 | 494.345.545,07 |
| I. Vorräte | 201.905.839,13 | 209.036.358,55 |
| 1. Roh-, Hilfs- und Betriebsstoffe | 14.193.644,87 | 16.783.735,20 |
| 2. fertige Erzeugnisse und Waren | 1.988,80 | 3.105,94 |
| 3. noch nicht abrechenbare Leistungen | 176.998.793,50 | 183.242.279,21 |
| noch nicht abrechenbare Leistungen mit erhaltenen Anzahlungen verrechnet | 1.337.311.778,36 | 1.583.371.322,30 |
| 4. geleistete Anzahlungen | 10.711.411,96 | 9.007.238,20 |
| geleistete Anzahlungen mit erhaltenen Anzahlungen verrechnet | 15.639.575,40 | 13.464.414,75 |
| | -4.928.163,44 | -4.457.176,55 |
| II. Forderungen und sonstige Vermögensgegenstände | 99.280.849,06 | 116.343.111,79 |
| 1. Forderungen aus Lieferungen und Leistungen | 34.224.737,59 | 44.492.652,35 |
| davon mit einer Laufzeit von mehr als einem Jahr | 0,00 | 1.840.123,34 |
| 2. Forderungen gegenüber verbundenen Unternehmen | 47.089.595,79 | 54.053.008,76 |
| davon mit einer Laufzeit von mehr als einem Jahr | 26.800.000,00 | 29.170.242,87 |
| 3. sonstige Forderungen und Vermögensgegenstände | 17.966.515,68 | 17.797.450,68 |
| davon mit einer Laufzeit von mehr als einem Jahr | 0,00 | 866.737,87 |
| III. Wertpapiere und Anteile | 58.203.153,00 | 47.178.750,00 |
| IV. Kassenbestand, Guthaben bei Kreditinstituten | 458.028.847,30 | 121.787.324,73 |
| C. Rechnungsabgrenzungsposten | 8.405.680,24 | 6.141.135,46 |
| D. Aktive latente Steuern | 20.203.331,40 | 22.562.099,66 |

| | 31.12.2017 | 31.12.2016 |
|---|-------------------------|-------------------------|
| PASSIVA | 2.538.114.627,98 | 2.209.837.637,60 |
| A. Eigenkapital | 770.280.206,89 | 767.269.099,65 |
| I. eingefordertes und einbezahltes Nennkapital (Grundkapital) | 101.059.130,00 | 102.060.216,00 |
| gezeichnet Nennkapital (Grundkapital) | 104.000.000,00 | 104.000.000,00 |
| Eigene Anteile | -2.940.870,00 | -1.939.784,00 |
| II. gebundene Kapitalrücklagen | 39.974.206,72 | 39.795.082,18 |
| III. Optionsrücklage | 10.935.325,83 | 15.325.211,38 |
| IV. gesetzliche Gewinnrücklage | 5.338.626,77 | 5.338.626,77 |
| V. Rücklage wegen eigener Anteile | 2.940.870,00 | 1.939.784,00 |
| VI. freie Gewinnrücklagen | 0,00 | 921.183,00 |
| VII. Bilanzgewinn | 610.032.047,57 | 601.888.996,32 |
| davon Gewinnvortrag | 448.798.672,32 | 314.860.910,79 |
| B. Rückstellungen | 258.160.350,20 | 271.037.667,15 |
| 1. Rückstellungen für Abfertigungen | 40.747.226,00 | 40.378.699,00 |
| 2. Rückstellungen für Pensionen | 8.207.393,16 | 10.963.146,51 |
| 3. Steuerrückstellungen | 10.783.162,95 | 24.511.480,00 |
| 4. sonstige Rückstellungen | 198.422.568,09 | 195.184.341,64 |
| C. Verbindlichkeiten | 1.509.380.481,69 | 1.171.453.387,80 |
| davon mit einer Restlaufzeit von bis zu einem Jahr | 612.260.421,40 | 557.517.584,25 |
| davon mit einer Restlaufzeit von mehr als einem Jahr | 897.120.060,29 | 613.935.803,55 |
| 1. Anleihen | 350.000.000,00 | 350.000.000,00 |
| davon mit einer Restlaufzeit von bis zu einem Jahr | 0,00 | 0,00 |
| davon mit einer Restlaufzeit von mehr als einem Jahr | 350.000.000,00 | 350.000.000,00 |
| 2. Schuldscheindarlehen | 400.000.000,00 | 0,00 |
| davon mit einer Restlaufzeit von bis zu einem Jahr | 0,00 | 0,00 |
| davon mit einer Restlaufzeit von mehr als einem Jahr | 400.000.000,00 | 0,00 |
| 3. erhaltene Anzahlungen auf Bestellungen | 326.474.773,21 | 381.380.763,48 |
| erhaltene Anzahlungen auf Bestellungen | 1.491.715.921,51 | 1.785.966.983,12 |
| mit Vorräten verrechneter Anteil | -1.165.241.148,30 | -1.404.586.219,64 |
| davon mit einer Restlaufzeit von bis zu einem Jahr | 230.232.918,70 | 145.640.915,99 |
| davon mit einer Restlaufzeit von mehr als einem Jahr | 96.241.854,51 | 235.739.847,49 |
| 4. Verbindlichkeiten aus Lieferungen und Leistungen | 60.220.345,94 | 45.516.438,70 |
| davon mit einer Restlaufzeit von bis zu einem Jahr | 57.335.612,04 | 42.565.307,64 |
| davon mit einer Restlaufzeit von mehr als einem Jahr | 2.884.733,90 | 2.951.131,06 |
| 5. Verbindlichkeiten gegenüber verbundenen Unternehmen | 357.677.035,25 | 380.578.499,40 |
| davon mit einer Restlaufzeit von bis zu einem Jahr | 310.184.923,37 | 356.047.206,40 |
| davon mit einer Restlaufzeit von mehr als einem Jahr | 47.492.111,88 | 24.531.293,00 |
| 6. sonstige Verbindlichkeiten | 15.008.327,29 | 13.977.686,22 |
| davon mit einer Restlaufzeit von bis zu einem Jahr | 14.506.967,29 | 13.264.154,22 |
| davon mit einer Restlaufzeit von mehr als einem Jahr | 501.360,00 | 713.532,00 |
| davon aus Steuern | 1.193.415,94 | 2.712.811,34 |
| davon im Rahmen der sozialen Sicherheit | 3.181.312,26 | 2.997.984,77 |
| D. Rechnungsabgrenzungsposten | 293.589,20 | 77.483,00 |

| | 2017 | 2016 |
|---|------------------------|-------------------------|
| 1. Umsatzerlöse | 980.881.735,31 | 1.017.614.570,62 |
| 2. Bestandsveränderungen | -250.114.078,16 | -219.809.504,00 |
| a) Veränderung des Bestands an fertigen Erzeugnissen sowie an noch nicht abrechenbaren Leistungen | -272.008.374,18 | -231.013.505,40 |
| b) Veränderungen der Auftragsrückstellungen | 21.894.296,02 | 11.204.001,40 |
| 3. andere aktivierte Eigenleistungen | 6.508.228,38 | 3.363.628,11 |
| 4. sonstige betriebliche Erträge | 14.438.304,37 | 9.851.755,31 |
| a) Erträge aus dem Abgang vom Anlagevermögen mit Ausnahme der Finanzanlagen | 45.677,00 | 85.917,65 |
| b) Erträge aus der Auflösung von Rückstellungen | 3.533.711,89 | 410.531,44 |
| c) übrige | 10.858.915,48 | 9.355.306,22 |
| 5. Aufwendungen für Material und sonstige bezogene Herstellungsleistungen | -427.635.283,31 | -446.154.411,70 |
| a) Materialaufwand | -343.755.348,67 | -375.038.381,07 |
| b) Aufwendungen für bezogene Leistungen | -83.879.934,64 | -71.116.030,63 |
| 6. Personalaufwand | -178.024.815,73 | -182.802.960,30 |
| a) Löhne | -21.158.799,89 | -19.273.370,39 |
| b) Gehälter | -119.589.166,01 | -127.473.571,27 |
| c) Soziale Aufwendungen | -37.276.849,83 | -36.056.018,64 |
| davon Aufwendungen für Altersversorgung | -719.981,82 | -964.145,57 |
| davon Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeitervereinigungen | -4.256.587,68 | -3.049.826,74 |
| davon für Aufwendungen für gesetzlich vorgeschriebene Sozialabgaben sowie vom Entgelt abhängige Abgaben und Pflichtbeiträge | -32.106.434,20 | -31.808.667,12 |
| davon für sonstige soziale Aufwendungen | -193.846,13 | -233.379,21 |
| 7. Abschreibungen auf immaterielle Gegenstände des Anlagevermögens und Sachanlagen | -8.160.714,89 | -8.225.036,51 |
| 8. sonstige betriebliche Aufwendungen | -126.305.324,61 | -130.021.203,19 |
| a) Steuern, soweit sie nicht unter Z 18 fallen | -952.044,37 | -1.114.045,11 |
| b) übrige | -125.353.280,24 | -128.907.158,08 |
| 9. Zwischensumme aus Z 1 bis 8 (Betriebserfolg) | 11.588.051,36 | 43.816.838,34 |
| 10. Erträge aus Beteiligungen | 204.986.695,46 | 269.593.932,71 |
| davon aus verbundenen Unternehmen | 204.986.695,46 | 269.593.932,71 |
| 11. Erträge aus anderen Wertpapieren und Ausleihungen des Finanzanlagevermögens | 71.200,00 | 35.600,00 |
| 12. sonstige Zinsen und ähnliche Erträge | 11.207.142,60 | 8.152.930,55 |
| davon aus verbundenen Unternehmen | 7.322.265,21 | 6.995.375,76 |
| 13. Erträge aus dem Abgang von und der Zuschreibung zu Finanzanlagen und Wertpapieren des Umlaufvermögens | 15.461.808,04 | 13.749.494,00 |
| 14. Aufwendungen aus Finanzanlagen und aus Wertpapieren des Umlaufvermögens | -8.402.610,96 | -29.164.846,10 |
| davon aus Abschreibungen | -7.943.051,85 | -19.215.522,00 |
| davon Aufwendungen aus verbundenen Unternehmen | -8.320.438,96 | -28.734.324,10 |
| 15. Zinsen und ähnliche Aufwendungen | -13.236.277,53 | -15.943.303,14 |
| davon betreffend verbundene Unternehmen | -1.778.054,73 | -918.716,86 |
| 16. Zwischensumme aus Z 10 bis 15 (Finanzerfolg) | 210.087.957,61 | 246.423.808,02 |
| 17. Ergebnis vor Steuern | 221.676.008,97 | 290.240.646,36 |
| 18. Steuern vom Einkommen und vom Ertrag | -14.276.794,88 | 9.308.947,19 |
| davon aus latenten Steuern | -2.358.768,26 | 22.562.099,66 |
| davon aus Steuerumlage | 5.660.749,14 | 19.407.228,00 |
| 19. Ergebnis nach Steuern = Jahresüberschuss | 207.399.214,09 | 299.549.593,55 |
| 20. Auflösung Rücklage wegen eigener Anteile | 28.914,00 | 22.915,00 |
| 21. Zuweisung Rücklage wegen eigener Anteile | -1.030.000,00 | -287.000,00 |
| 22. Zuweisung freie Gewinnrücklagen | -45.164.752,84 | -12.257.423,02 |
| 23. Gewinnvortrag aus dem Vorjahr | 448.798.672,32 | 314.860.910,79 |
| 24. Bilanzgewinn | 610.032.047,57 | 601.888.996,32 |



Jahresabschluss zum 31. Dezember 2017

ANHANG

I. Bilanzierungs- und Bewertungsmethoden

Der Jahresabschluss zum 31. Dezember 2017 wurde unter Beachtung der Grundsätze ordnungsgemäßer Buchführung sowie unter Beachtung der Generalnorm, ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage zu vermitteln, aufgestellt. Die Bilanzierungs- und Bewertungsmethoden stimmen mit dem Konzept der Unternehmensfortführung überein. Für die Gewinn- und Verlustrechnung wird das Gesamtkostenverfahren angewendet.

Die immateriellen Vermögensgegenstände und das Sachanlagevermögen werden zu Anschaffungs- bzw. Herstellungskosten abzüglich planmäßiger linearer Abschreibungen bewertet. Für Zugänge werden ab dem Folgemonat der Anschaffung monatlich Abschreibungen vorgenommen. Bei voraussichtlich dauernder Wertminderung werden außerplanmäßige Abschreibungen vorgenommen. Geringwertige Vermögensgegenstände werden im Jahr des Zugangs voll abgeschrieben und als Abgang behandelt. Die Sätze der Normalabschreibungen entsprechen den unternehmensrechtlichen Vorschriften. Sie betragen für das übrige immaterielle Anlagevermögen zwischen 10% und 25%, für Gebäude und sonstige Baulichkeiten zwischen 2% und 14,29%, für technische Anlagen und Maschinen, andere Anlagen und Betriebs- und Geschäftsausstattung zwischen 6,67% und 25%.

Beteiligungen werden mit den Anschaffungskosten oder im Falle einer dauernden Wertminderung mit dem niedrigeren beizulegenden Wert bewertet. Ausleihungen und Wertpapiere des Anlagevermögens werden zu den Anschaffungskosten oder den niedrigeren Kurswerten bewertet.

Firmenwerte die vor dem 01. Jänner 2016 entstanden sind, werden auf 15 Jahre verteilt abgeschrieben. Seit dem 01. Jänner 2016 sind keine neuen Firmenwerte entstanden.

Zuschreibungen zu Vermögensgegenständen des Anlagevermögens werden vorgenommen, wenn die Gründe für die außerplanmäßige Abschreibung weggefallen sind. Die Zuschreibung erfolgt auf maximal den Nettobuchwert, der sich unter Berücksichtigung der Normalabschreibungen, die



inzwischen vorzunehmen gewesen wären, ergibt. Bei Firmenwerten unterbleibt gemäß §208 Abs 2 UGB die Zuschreibung.

Die Vorräte und Forderungen werden unter Beachtung des strengen Niederstwertprinzips bewertet.

Aufträge werden mit ihren Herstellungskosten abzüglich allfälliger Vorsorgen für drohende Verluste bewertet. Gewinnrealisierungen erfolgen bei Endabrechnung der Kundenaufträge, für das Gewährleistungsrisiko werden Einzelvorsorgen gebildet.

Der Bilanzansatz der noch nicht abrechenbaren Leistungen wird mit erhaltenen Anzahlungen, soweit diese bereits angearbeitete Aufträge betreffen, offen saldiert.

Wertpapiere werden zu den Anschaffungskosten oder den niedrigeren Kurswerten bewertet.

Der Nennbetrag der erworbenen eigenen Anteile wird offen vom Nennkapital abgesetzt. Der Unterschiedsbetrag zwischen dem Nennbetrag und den Anschaffungskosten wird mit der zuvor dotierten Gewinnrücklage verrechnet. Der Nennbetrag wird in die Rücklage wegen eigener Anteile eingestellt. Bei der Veräußerung der eigenen Anteile wird der positive Saldo aus Veräußerungserlös abzüglich Nennbetrag bis zur Höhe der verrechneten Rücklagen aus dem Kauf der eigenen Anteile in die freie Gewinnrücklage eingestellt. Der darüber hinaus gehende Unterschiedsbetrag wird in die gebundene Kapitalrücklage eingestellt und die Rücklage wegen eigener Anteile wird aufgelöst.

Die Verpflichtungen aus vertraglichen Pensionszusagen und laufenden Pensionen, aus Abfertigungen sowie die kollektivvertraglichen Jubiläumsgelder sind nach versicherungsmathematischen Grundsätzen passiviert, wobei die Bewertungsvorschriften von IAS 19 angewandt wurden. Die Rückstellungen berücksichtigen die nach den Grundsätzen unternehmerischer Beurteilung erkennbaren Risiken und Verpflichtungen.

Anleihen werden mit dem Erfüllungsbetrag ausgewiesen.

Fremdwährungsforderungen werden mit dem Entstehungskurs oder mit dem für die Bilanzierung maßgeblichen, niedrigeren Stichtagskurs bewertet. Fremdwährungsverbindlichkeiten werden mit dem Entstehungskurs oder mit dem für die Bilanzierung maßgeblichen, höheren Stichtagskurs



bewertet. Sofern für Fremdwährungsforderungen oder Fremdwährungsverbindlichkeiten eine Kurssicherung erfolgt, wird anstatt des Stichtagskurses der gesicherte Kurs herangezogen. Dies gilt auch für Fremdwährungsverbindlichkeiten, deren Rückführung durch ausreichend große Cash Bestände gesichert ist (Sicherungsbeziehung).

Die Ansätze für die Vermögensgegenstände und Schulden entsprechen im Übrigen den bereits in den Vorjahren angewandten Grundsätzen.



II. Erläuterungen zur Bilanz

AKTIVA

Anlagevermögen

Entwicklung der Anschaffungskosten

(Beträge in EUR)

| | Stand am 1.1.2017 | Zugänge | Umbuchung | Abgänge | Stand am 31.12.2017 |
|---|-------------------------|----------------------|---------------|----------------------|-------------------------|
| I. Immaterielle Vermögensgegenstände | | | | | |
| 1. Software, Lizenzen und andere Rechte | 14.749.389,85 | 2.197.508,64 | 0,00 | 69.785,50 | 16.877.112,99 |
| 2. Firmenwert | 7.806.005,04 | 0,00 | 0,00 | 0,00 | 7.806.005,04 |
| | 22.555.394,89 | 2.197.508,64 | 0,00 | 69.785,50 | 24.683.118,03 |
| II. Sachanlagen | | | | | |
| 1. Grundstücke und Bauten | 80.098.317,15 | 581.781,52 | 1.406.452,00 | | 82.086.550,67 |
| 2. technische Anlagen und Maschinen | 17.618.477,79 | 2.450.821,97 | 632.601,50 | 121.125,30 | 20.580.775,96 |
| 3. andere Anlagen, Betriebs- und Geschäftsausstattung*) | 14.758.176,35 | 2.575.306,32 | 985,48 | 675.622,31 | 16.658.845,84 |
| 4. geleistete Anzahlungen und Anlagen in Bau | 11.143.966,96 | 25.766.295,25 | -2.040.038,98 | 0,00 | 34.870.223,23 |
| | 123.618.938,25 | 31.374.205,06 | 0,00 | 796.747,61 | 154.196.395,70 |
| III. Finanzanlagen | | | | | |
| 1. Anteile an verbundenen Unternehmen | 1.468.741.201,18 | 6.430.576,40 | 0,00 | 20.000.000,00 | 1.455.171.777,58 |
| 2. Ausleihungen an verbundene Unternehmen | 223.771.651,80 | 421.834,13 | 0,00 | 1.324.585,18 | 222.868.900,75 |
| 3. Beteiligungen | 2.380,50 | 0,00 | 0,00 | 0,00 | 2.380,50 |
| 4. Wertpapiere des Anlagevermögens | 1.584.190,00 | 0,00 | 0,00 | 0,00 | 1.584.190,00 |
| | 1.694.099.423,48 | 6.852.410,53 | 0,00 | 21.324.585,18 | 1.679.627.248,83 |
| Summe | 1.840.273.756,62 | 40.424.124,23 | 0,00 | 22.191.118,29 | 1.858.506.762,56 |

*) Im Zugang und Abgang sind geringwertige Vermögensgegenstände in Höhe von

43.312,97 enthalten.



Entwicklung der kumulierten Abschreibungen

(Beträge in EUR)

| | Stand am 1.1.2017 | Jahres- Abschreibung | Zuschreibung | Abgänge | Stand am 31.12.2017 |
|---|-----------------------|-------------------------|---------------------|-------------------|------------------------|
| I. Immaterielle Vermögensgegenstände | | | | | |
| 1. Software, Lizenzen und andere Rechte | 8.911.672,88 | 1.871.725,76 | 0,00 | 65.863,79 | 10.717.534,85 |
| 2. Firmenwert | 2.817.924,59 | 520.400,34 | 0,00 | 0,00 | 3.338.324,93 |
| | 11.729.597,47 | 2.392.126,10 | 0,00 | 65.863,79 | 14.055.859,78 |
| II. Sachanlagen | | | | | |
| 1. Grundstücke und Bauten | 34.728.685,19 | 1.600.134,20 | 0,00 | | 36.328.819,39 |
| 2. technische Anlagen und Maschinen | 8.171.288,91 | 1.712.077,42 | 0,00 | 78.681,60 | 9.804.684,73 |
| 3. andere Anlagen, Betriebs- und Geschäftsausstattung*) | 8.763.464,11 | 2.456.377,17 | 0,00 | 561.833,85 | 10.658.007,43 |
| 4. geleistete Anzahlungen und Anlagen in Bau | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| | 51.663.438,21 | 5.768.588,79 | 0,00 | 640.515,45 | 56.791.511,55 |
| III. Finanzanlagen | | | | | |
| 1. Anteile an verbundenen Unternehmen | 78.281.925,78 | 6.115.000,00 | 1.800.000,00 | 0,00 | 82.596.925,78 |
| 2. Ausleihungen an verbundene Unternehmen | 11.133.547,75 | 1.745.879,85 | 0,00 | 0,00 | 12.879.427,60 |
| 3. Beteiligungen | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| 4. Wertpapiere des Anlagevermögens | 676.390,00 | 0,00 | 580.280,00 | | 96.110,00 |
| | 90.091.863,53 | 7.860.879,85 | 2.380.280,00 | 0,00 | 95.572.463,38 |
| Summe | 153.484.899,21 | 16.021.594,74 | 2.380.280,00 | 706.379,24 | 166.419.834,71 |

*) In der Jahresabschreibung und in den Abgängen sind geringwertige Vermögensgegenstände in Höhe von 43.312,97 EUR enthalten.



Buchwerte zum 31.12.2017

(Beträge in EUR)

| | Anschaffungs- kosten | kumulierte Abschreibungen | Buchwerte |
|---|-------------------------|------------------------------|-------------------------|
| I. Immaterielle Vermögensgegenstände | | | |
| 1. Software, Lizenzen und andere Rechte | 16.877.112,99 | 10.717.534,85 | 6.159.578,14 |
| 2. Firmenwert | 7.806.005,04 | 3.338.324,93 | 4.467.680,11 |
| | 24.683.118,03 | 14.055.859,78 | 10.627.258,25 |
| II. Sachanlagen | | | |
| 1. Grundstücke und Bauten | 82.086.550,67 | 36.328.819,39 | 45.757.731,28 |
| 2. technische Anlagen und Maschinen | 20.580.775,96 | 9.804.684,73 | 10.776.091,23 |
| 3. andere Anlagen, Betriebs- und Geschäftsausstattung | 16.658.845,84 | 10.658.007,43 | 6.000.838,41 |
| 4. geleistete Anzahlungen und Anlagen in Bau | 34.870.223,23 | 0,00 | 34.870.223,23 |
| | 154.196.395,70 | 56.791.511,55 | 97.404.884,15 |
| III. Finanzanlagen | | | |
| 1. Anteile an verbundenen Unternehmen | 1.455.171.777,58 | 82.596.925,78 | 1.372.574.851,80 |
| 2. Ausleihungen an verbundene Unternehmen | 222.868.900,75 | 12.879.427,60 | 209.989.473,15 |
| 3. Beteiligungen | 2.380,50 | 0,00 | 2.380,50 |
| 4. Wertpapiere des Anlagevermögens | 1.584.190,00 | 96.110,00 | 1.488.080,00 |
| | 1.679.627.248,83 | 95.572.463,38 | 1.584.054.785,45 |
| Summe | 1.858.506.762,56 | 166.419.834,71 | 1.692.086.927,85 |



Sachanlagen

Der in den Grundstücken und Bauten enthaltene Grundwert beträgt 1.748.591,62 EUR (Vorjahr: 1.748.591,62 EUR).

Finanzanlagen

Die Zugänge unter den Anteilen an verbundenen Unternehmen betreffen im Jahr 2017 getätigte Akquisitionen sowie Kapitalmaßnahmen bei bestehenden Tochtergesellschaften. Die Abgänge resultieren aus einer Kapitalherabsetzung unter den verbundenen Unternehmen, sowie der Rückzahlung von Ausleihungen an verbundene Unternehmen. Abschreibungen resultieren aus der Neubewertung von Anteilen an verbundenen Unternehmen, sowie der Kursbewertung langfristiger Ausleihungen.

Im Geschäftsjahr 2017 gab es keine Ausleihungen mit einer Restlaufzeit bis zu einem Jahr.

Roh-, Hilfs- und Betriebsstoffe

Die Bewertung erfolgte zu durchschnittlichen Einstandspreisen oder den niedrigeren Wiederbeschaffungspreisen des Bilanzstichtags. Für nicht- oder schwergängige Materialien wurden angemessene Abwertungen vorgenommen.

Fertige Erzeugnisse und Waren

Die fertigen Erzeugnisse wurden zu Herstellkosten angesetzt. In die Herstellkosten wurden auch angemessene Teile der fixen und variablen Gemeinkosten eingerechnet. Aufwendungen für betriebliche Sozialeinrichtungen und Zinsen für Fremdkapital wurden in den Herstellkosten nicht angesetzt. Wertberichtigungen wurden nach dem Grad der Verwertbarkeit bzw. dem unternehmerischen Vorsichtsgebot entsprechend in angemessener Höhe gebildet.

Noch nicht abrechenbare Leistungen

Der Wertansatz bei diesen Leistungen erfolgte zu Herstellungskosten, wobei auch bei langfristiger Fertigung keine Zuschläge für Verwaltungs- und Vertriebskosten angesetzt werden. In die Herstellkosten wurden auch angemessene Teile der fixen und variablen Gemeinkosten eingerechnet. Aufwendungen für betriebliche Sozialeinrichtungen und Zinsen für Fremdkapital wurden in den Herstellkosten nicht angesetzt. Wertberichtigungen wurden für aus Kundenaufträgen erwartete Verluste sowie für schwere Verwertbarkeit bei Vorratsaufträgen



gebildet. Noch nicht verrechnete Anzahlungen von Kunden wurden, soweit die Aufträge bereits angearbeitet waren, in dieser Bilanzposition offen saldiert.

Forderungen und sonstige Vermögensgegenstände

Unter Beachtung des strengen Niederstwertprinzips wurden bei den Forderungen und sonstigen Vermögensgegenständen erkennbare Risiken durch Einzelwertberichtigungen berücksichtigt. Auslandsforderungen sind in den meisten Fällen durch Exportgarantien besichert. Unverzinsliche langfristige Forderungen aus Lieferungen und Leistungen wurden abgezinst.

In den Forderungen gegen verbundene Unternehmen sind 9.415.604,48 EUR (Vorjahr: 12.783.669,68 EUR) aus Lieferungen und Leistungen enthalten.

In den sonstigen Forderungen sind 8.049.789,42 EUR (Vorjahr: 7.479.308,46 EUR) Erträge enthalten, welche erst nach dem Abschlussstichtag zahlungswirksam werden.

Aktive latente Steuern

Die aktivierten latenten Steuern beruhen im Wesentlichen auf der unterschiedlichen Behandlung von Abschreibungen von Anteilen an verbundenen Unternehmen, den abweichend zu bilanzierenden Werten bei den Rückstellungen für Abfertigungen, den Rückstellungen für Pensionen, den Rückstellungen für Jubiläumsgelder, den Rückstellungen für nicht konsumierte Urlaube und den Rückstellungen für Gewährleistungen sowie der unterschiedlichen Abschreibungsdauer bei Firmen-PKWs im Steuerrecht und Unternehmensgesetzbuch. Die latenten Steuern wurden mit dem in Österreich gültigen Körperschaftsteuersatz in Höhe von 25 % berechnet.

Vor Inkrafttreten des Rechnungslegungsänderungsgesetzes 2014 wurde vom Wahlrecht gebraucht gemacht, aktive latente Steuern nicht zu bilanzieren. Folglich erfolgte im Jahresabschluss zum 31.12.2016 die erstmalige Aktivierung von latenten Steuern in Höhe von EUR 22.562.099,66. Zum 31.12.2017 betragen die aktiven latenten Steuern EUR 20.203.331,40. Die Veränderung in Höhe von EUR 2.358.768,26 resultieren im Wesentlichen aus Änderungen bei den Anteilen an verbundenen Unternehmen, sowie im Bereich des Sozialkapitals.



PASSIVA

Grundkapital

Das Grundkapital der Gesellschaft beträgt 104.000.000 EUR (Vorjahr: 104.000.000 EUR). Es ist in 104.000.000 Stückaktien (Vorjahr: 104.000.000 Stückaktien) ohne Nennwert zerlegt. Der Nennbetrag der eigenen Anteile in Höhe von 2.940.870,00 EUR (Vorjahr: 1.939.784,00 EUR) wird offen vom Grundkapital abgesetzt.

Gebundene Kapitalrücklage

Die Veränderung aus der gebundenen Kapitalrücklage resultiert aus der Veräußerung der eigenen Anteile.

Optionsrücklage

Der Betrag der Verpflichtung, die aus den beschlossenen Optionsprogrammen resultiert, wird während des Erdienungszeitraums in gleichen Raten als Aufwand verrechnet und in eine Optionsrücklage eingestellt. Der Aufwand für diese anteilsbasierten Vergütungen für noch laufende Programme betrug im Geschäftsjahr 2.095.401,96 EUR (Vorjahr: 3.671.769,97 EUR).

Die Optionen aus dem im Jahr 2014 beschlossenen Optionsprogramm können nicht gezogen werden, da nicht sämtliche für die Ausübung notwendige Kriterien erfüllt werden konnten. Folglich wurde die Optionsrücklage um 6.485.287,51 EUR ergebniswirksam reduziert.

Rücklage wegen eigener Anteile

Die Rücklage wegen eigener Anteile zum 31. Dezember 2017 beträgt 2.940.870,00 EUR (Vorjahr: 1.939.784,00 EUR). Die Höhe der Rücklage entspricht dem Nennbetrag der eigenen Anteile.

Freie Gewinnrücklage

Die freie Gewinnrücklage zum 31. Dezember 2017 beträgt 0 EUR (Vorjahr: 921.183,00 EUR). Sie wurde zur Gänze mit dem Unterschiedsbetrag zwischen dem Nennbetrag der eigenen Anteile und



ihren Anschaffungskosten verrechnet. Im Vorjahr resultierte sie aus der Veräußerung eigener Anteile.

Rückstellungen für Abfertigungen, Rückstellungen für Pensionen

Die Verpflichtungen aus den theoretischen Abfertigungsansprüchen der Dienstnehmer sowie die Rückstellungen für Pensionen wurden zum 31.12.2017 nach versicherungsmathematischen Grundsätzen berechnet. Bei Ermittlung der Abfertigungsansprüche wurden ein Zinssatz von 1,64% (Vorjahr: 1,31%) und ein Gehaltstrend von 2,50% (Vorjahr 2,00%), bei den Pensionsverpflichtungen ein Zinssatz von 1,40% (Vorjahr: 1,20%) und ein Rententrend von 2,00% (Vorjahr 1,75%) herangezogen. Für die Berechnung wurden die AVÖ2008 – Angestellte Pagler & Pagler zugrunde gelegt. Aufgrund der geänderten Prozentsätze sind Erträge in Höhe von 3.320.362,88 EUR (Vorjahr: 5.691.013,93 EUR Aufwendungen) entstanden, welche im Personalaufwand, sowie im Finanzergebnis ausgewiesen werden. Das rechnermäßige Pensionsalter entspricht wie im Vorjahr dem frühest möglichen Anfallsalter für die vorzeitige Alterspension gemäß der im Budgetbegleitgesetz 2003 verankerten Pensionsreform. Für die im Jahr 1999 an eine Pensionskasse übertragenen Pensionsansprüche wurde ein Gutachten nach den gleichen Grundsätzen erstellt, es wurde jedoch aufgrund der höheren Duration ein Zinssatz von 2,14% (Vorjahr 1,72%) herangezogen.

Zum 31. Dezember 2017 lag das Deckungskapital der Pensionsversicherung unter dem Niveau der entsprechenden Pensionsverpflichtungen; eine entsprechende Rückstellung für zu erwartende Nachschüsse wurde gebildet.

Die Höhe der Gesamtpensionsverpflichtung bei ausgelagerten Verpflichtungen beträgt 21.751.137,22 EUR (Vorjahr: 24.785.329,28 EUR). Die Gesamtpensionsverpflichtung wird mit dem Zeitwert des Planvermögens saldiert.

Sonstige Rückstellungen

In den sonstigen Rückstellungen sind folgende wesentliche Rückstellungen enthalten:

| | 31.12.2017 | 31.12.2016 |
|-----------------------------------|----------------|----------------|
| | <u>in MEUR</u> | <u>in MEUR</u> |
| Auftragsbezogene Vorsorgen für | | |
| - fehlende Selbstkosten | 58,0 | 58,5 |
| - Gewährleistungen und Mehrkosten | 64,9 | 60,3 |
| Personalaufwendungen | 57,2 | 52,3 |



Zu erwartende Auftragsverluste werden in Höhe der Unterschiedsbeträge zwischen den voraussichtlichen Gesamtselbstkosten und den Erlösen ermittelt und passiviert.

Die Rückstellung für unverbrauchte Urlaube ist mit 23,5 MEUR (Vorjahr: 23,0 MEUR) angesetzt.

Die Rückstellung für Jubiläumsgelder wurde nach versicherungsmathematischen Grundsätzen (IAS 19) berechnet. Aufgrund der geänderten %-Sätze sind Erträge in Höhe von 276.654 EUR (Vorjahr: 1.204.514 EUR Aufwendungen) entstanden.

Verbindlichkeiten

(Beträge in TEUR)

| | Bilanz- wert | Restlaufzeit > als 5 Jahre | Hypothekar- schulden |
|---|--|----------------------------------|-------------------------|
| | (Vorjahr) | (Vorjahr) | (Vorjahr) |
| Anleihen | 350.000 (350.000) | 0 (0) | 0 (0) |
| Schuldscheindarlehen | 400.000 (0) | 400.000 (0) | 0 (0) |
| erhaltene Anzahlungen auf Bestellungen | 326.475 (381.381) | 9.342 (2.452) | 0 (0) |
| Verbindlichkeiten aus Lieferungen und Leistungen | 60.220 (45.516) | 106 (279) | 0 (0) |
| Verbindlichkeiten gegenüber verbundenen Unternehmen | 357.677 (380.578) | 1.239 (0) | 0 (0) |
| sonstige Verbindlichkeiten | 15.008 (13.978) | 0 (0) | 0 (0) |
| | <u>1.509.380</u> <u>(1.171.453)</u> | <u>410.687</u> <u>(2.731)</u> | <u>0</u> <u>(0)</u> |

Am 9. Juli 2012 wurde eine öffentliche Anleihe in Höhe von 350 MEUR mit einer Laufzeit von 7 Jahren und einer Fixverzinsung von 3,875% begeben. Über das gesamte Volumen und die gesamte Laufzeit der Anleihe wurden Zinsswaps abgeschlossen, mit denen die fixen Zinszahlungen der Gesellschaft gegen variable Zinszahlungen auf Basis 3-Monats-EURIBOR bzw. 6-Monats-EURIBOR getauscht wurden.



Am 21. Juni 2017 wurde ein Schuldscheindarlehen in Höhe von 400 MEUR begeben. Dieses gliedert sich in zwei Tranchen, welche aus 300 MEUR mit einer Laufzeit von sieben Jahren und einer Fixverzinsung von 1,41% und 100 MEUR mit einer Laufzeit von zehn Jahren und einer Fixverzinsung von 1,97% bestehen. Geldbeschaffungskosten in Höhe von 1 MEUR wurden innerhalb der Rechnungsabgrenzungsposten aktiviert und werden über die gesamte Laufzeit des Darlehens verteilt.

In den Verbindlichkeiten gegenüber verbundenen Unternehmen sind 11.489.476,20 EUR (Vorjahr: 14.048.026,67 EUR) aus Lieferungen und Leistungen und 112.770.087,05 EUR (Vorjahr: 155.651.951,91 EUR) aus erhaltenen Anzahlungen enthalten.

In den sonstigen Verbindlichkeiten sind Aufwendungen in Höhe von 8.094.523,18 EUR (Vorjahr: 2.603.393,55 EUR) enthalten, welche erst nach dem Abschlussstichtag zahlungswirksam werden.



Haftungsverhältnisse

Die Haftungsverhältnisse zum 31.12.2017 betragen 2.180.989.217,21 EUR (Vorjahr: 2.242.723 TEUR). In den Haftungsverhältnissen sind Haftungen für verbundene Unternehmen in Höhe von 1.907.346.123,15 EUR (Vorjahr: 1.922.891 TEUR) enthalten. Die Haftungsverhältnisse entfallen zur Gänze auf übernommene Garantien.

Von den gesamten Haftungsverhältnissen betreffen 302.575.996,81 EUR von Banken übernommene Haftungen (davon für verbundene Unternehmen 42.510.029,80 EUR) und 1.878.413.220,40 EUR Werkshaftungen (davon für verbundene Unternehmen 1.864.836.093,35 EUR).

Verpflichtungen aus der Nutzung von in der Bilanz nicht ausgewiesenen Sachanlagen

| | des folgenden Geschäftsjahres MEUR | der folgenden fünf Geschäftsjahre MEUR |
|--|--|--|
| Verpflichtungen aus Leasing- und Mietverträgen <i>davon gegenüber verbundenen Unternehmen</i> | 1,2 0,6 | 3,9 1,2 |
| Vorjahr <i>davon gegenüber verbundenen Unternehmen</i> | 2,2 1,2 | 5,5 2,3 |

Sonstige finanzielle Verpflichtungen

Zum 31. Dezember 2017 bestand ein Bestellobligo für Investitionsgüter in Höhe von 8,53 MEUR (Vorjahr: 13,08 MEUR).

Außerbilanzielle Geschäfte

Es bestehen keine Geschäfte, die weder in der Bilanz ausgewiesen noch gemäß § 237 Z 8 UGB oder § 199 UGB anzugeben sind, aus denen wesentliche Risiken oder Vorteile entstehen.



III. Erläuterungen zur Gewinn- und Verlustrechnung

Umsatzerlöse

(Beträge in TEUR)

| | Inland | Export | 2017 Gesamt | 2016 Gesamt |
|---------------------|---------|---------|----------------|----------------|
| PULP & PAPER | 12.008 | 686.901 | 698.909 | 539.630 |
| METALS | 5.699 | 82.129 | 87.828 | 184.148 |
| HYDRO | 12.253 | 53.382 | 65.635 | 163.634 |
| SEPARATION | 1.652 | 16.743 | 18.395 | 29.902 |
| Sonstige | 2.609 | 16.001 | 18.609 | 13.655 |
| Nebenerlöse, Skonti | 91.290 | 216 | 91.505 | 86.646 |
| | 125.510 | 855.372 | 980.882 | 1.017.615 |

Umsatzerlöse nach Märkten

| | in TEUR | |
|-------------------|---------|-----------|
| | 2017 | 2016 |
| Inland | 125.510 | 137.068 |
| Europäische Union | 453.405 | 270.344 |
| Übriges Europa | 137.330 | 69.347 |
| Nordamerika | 7.671 | 47.139 |
| Asien | 224.985 | 363.653 |
| Übrige Welt | 31.981 | 130.064 |
| | 980.882 | 1.017.615 |

Der Exportanteil bei den Umsatzerlösen beträgt 87% (Vorjahr 87%).



Übrige sonstige betriebliche Erträge

Die übrigen sonstigen betrieblichen Erträge setzen sich im Wesentlichen zusammen aus:

| | 2017 (in TEUR) | Vorjahr (in TEUR) |
|---|-------------------|----------------------|
| Erträge aus Kursdifferenzen | 716 | 1.131 |
| Erträge aus Zuschüssen von öffentlichen Institutionen | 7.380 | 5.668 |
| Übrige sonstige betriebliche Erträge | 2.763 | 2.556 |

Löhne

Im Posten Löhne sind Aufwendungen für Rückstellungen für Jubiläumsgelder in Höhe von EUR 61.246,82 enthalten.

Gehälter

Im Posten Gehälter sind Aufwendungen für Rückstellungen für Jubiläumsgelder in Höhe von EUR 460.253,18 enthalten.

Aufwendungen für Altersversorgung

In den Aufwendungen für Altersversorgung sind Aufwendungen aus beitragsorientierten Pensionszusagen in Höhe von 1.162.389,16 enthalten, sowie Erträge aus der Auflösung von Rückstellungen für Pensionen in Höhe von EUR 442.407,34.

Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeitervorsorgekassen

In den Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeitervorsorgekassen sind Aufwendungen für Abfertigungen in Höhe von 3.197.664,99 EUR (Vorjahr: 2.041 TEUR) enthalten. Der restliche Betrag von 1.058.922,69. EUR (Vorjahr: 1.009 TEUR) betrifft Leistungen an betriebliche Mitarbeitervorsorgekassen.



Übrige betriebliche Aufwendungen

Die übrigen betrieblichen Aufwendungen setzen sich im Wesentlichen zusammen aus:

| | 2017 (in TEUR) | Vorjahr (in TEUR) |
|------------------------------------|-------------------|----------------------|
| Auftragsbezogene Kosten | 22.299 | 26.092 |
| Wechselkursdifferenzen | 645 | 1.695 |
| Beratungsleistungen | 22.593 | 15.777 |
| Reisekosten | 23.802 | 24.387 |
| Instandhaltungskosten | 4.343 | 3.758 |
| Mietaufwendungen | 2.954 | 3.047 |
| IT-Aufwendungen | 18.453 | 18.059 |
| Versicherungsaufwendungen | 4.016 | 3.157 |
| Forschungs- und Entwicklungskosten | 1.680 | 1.350 |
| Marketingaufwendungen | 3.259 | 2.498 |

Finanzergebnis

Die Erträge aus Beteiligungen von 204.986.695,46 EUR (Vorjahr: 269.594 TEUR) stammen aus Gewinnausschüttungen von Tochterunternehmen.

In der Position Zinsen und ähnliche Aufwendungen sind Zinsaufwendungen aus der Rückstellung für Abfertigungen in Höhe von 667.422,00 EUR enthalten.

Steuern vom Einkommen und vom Ertrag

Die Steuern vom Einkommen und vom Ertrag betreffen insbesondere Ertragssteuern des laufenden Geschäftsjahres 2017, Steuern aus Vorperioden sowie ausländische Quellensteuern. Seitens der Andritz AG als Gruppenträger erfolgten im Geschäftsjahr eine Belastung an das Gruppenmitglied in Höhe von 5.661 TEUR (Vorjahr: Belastung 19.407 TEUR).



IV. Sonstiges

Beteiligungen, verbundene Unternehmen

(Beträge in TEUR)

| Unternehmen | Sitz | Beteiligungsquote | | 2017 (in TEUR) | | 2016 (in TEUR) | |
|--|-------------------------------------|-------------------|----------|-----------------------|--------------|-----------------------|--------------|
| | | direkt | indirekt | Jahres- überschuss | Eigenkapital | Jahres- überschuss | Eigenkapital |
| Anstalt für Strömungsmaschinen GmbH | Graz, Österreich | 100,00% | | 1.642 | 1.554 | 3 | 1.554 |
| ANDRITZ Technology and Asset Management GmbH | Graz, Österreich | 100,00% | | 3.936 | 22.863 | 4.567 | 23.427 |
| ANDRITZ Environmental Engineering (Shanghai) Co., Ltd. | Shanghai, China | 100,00% | | 29 | 3.026 | 2.697 | 3.197 |
| ANDRITZ Deutschland Beteiligungs GmbH | Krefeld, Deutschland | 48,98% | 51,02% | 34.701 | 195.303 | 6.774 | 170.118 |
| ANDRITZ GmbH | Hemer, Deutschland | 6,25% | 93,75% | 20.631 | 52.925 | 9.303 | 55.754 |
| ANDRITZ HYDRO GmbH | Wien, Österreich | 100,00% | | 60.991 | 207.338 | 68.429 | 227.705 |
| HGI Holdings Limited | Limassol, Zypern | 100,00% | | 21 | 17 | -2 | 19 |
| ANDRITZ SEPARATION AND PUMP TECHNOLOGIES INDIA PRIVATE LIMITED | Chennai, Indien | 100,00% | | 124 | 1.966 | 90 | 1.976 |
| ANDRITZ FEED & BIOFUEL A/S | Esbjerg, Dänemark | 100,00% | | -1.062 | -785 | -8.067 | 277 |
| ANDRITZ Slovakia s.r.o. | Humenné, Slowakei | 100,00% | | -6.040 | 10.514 | 365 | 16.554 |
| ANDRITZ Chile Ltda. | Santiago de Chile, Chile | 100,00% | | 4.549 | 13.540 | 863 | 9.415 |
| ANDRITZ (USA) Inc. | Alpharetta / Georgia, USA | 100,00% | | 31.484 | 80.443 | 45.231 | 87.767 |
| ANDRITZ S.A.S. | Vélizy-Villacoublay, Frankreich | 100,00% | | -2.339 | 14.013 | -3.170 | 16.379 |
| Jaybee Eng. (Holdings) Pty. Ltd. | Carrum Downs / Victoria, Australien | 100,00% | | -72 | -15.996 | -38 | -16.746 |
| ANDRITZ Ingeniería S.A. | Madrid, Spanien | 100,00% | | 309 | 1.302 | 203 | 1.193 |
| ANDRITZ Brasil Ltda. | Curitiba, Brasilien | 100,00% | | 6.449 | 32.157 | 24.992 | 30.455 |
| ANDRITZ Plão Equipamentos Ltda. | São Paulo, Brasilien | 100,00% | | 0 | -1.306 | 0 | -1.603 |
| ANDRITZ Oy | Helsinki, Finnland | 100,00% | | 40.615 | 91.765 | 20.839 | 71.787 |
| ANDRITZ HYDRO Canada Inc. | Pointe-Claire / Québec, Kanada | 100,00% | | -5.805 | 27.750 | 2.462 | 37.493 |
| ANDRITZ AB | Örnsköldsvik / Växjö, Schweden | 100,00% | | 9.345 | 19.411 | 8.709 | 16.871 |
| ANDRITZ Ltd. | Staffordshire, Großbritannien | 100,00% | | 315 | 3.201 | 245 | 3.175 |
| ANDRITZ (China) Ltd. | Foshan, China | 69,13% | 30,87% | 55.713 | 172.830 | 48.806 | 186.567 |
| ANDRITZ - Wolfensberger Special Alloy Foundry Co. Ltd. | Foshan, China | 100,00% | | 1.769 | -3.028 | 415 | -5.072 |
| ANDRITZ Technologies H.K. Ltd. | Hong Kong, China | 100,00% | | 2.687 | 6.215 | 2.021 | 5.528 |
| ANDRITZ Thermtec Holding B.V. | Rotterdam, Niederlande | 100,00% | | -3 | 2.256 | 10 | 2.259 |
| ANDRITZ Technologies Pvt. Ltd. | Bangalore, Indien | 100,00% | | 639 | 6.616 | 1.472 | 7.821 |
| ANDRITZ FEED & BIOFUEL Ltd. | Hull, Großbritannien | 100,00% | | 683 | 2.161 | 693 | 2.140 |
| ANDRITZ FEED & BIOFUEL B.V. | Geldrop, Niederlande | 100,00% | | 3.649 | 16.077 | 4.172 | 16.428 |
| ANDRITZ Singapore Pte. Ltd. | Singapur, Singapur | 100,00% | | 1.917 | 5.814 | 1.748 | 5.654 |
| ANDRITZ Uruguay S. A. | Fray Bentos, Uruguay | 100,00% | | 5.160 | 9.710 | 6.184 | 10.101 |
| ANDRITZ Industrias S. A. | Fray Bentos, Uruguay | 100,00% | | 0 | 26 | 0 | 30 |
| ANDRITZ Pulp Technologies Punta Pereira S.A. | Montevideo, Uruguay | 100,00% | | 1.890 | -1.453 | 685 | -3.661 |
| ANDRITZ K.K. | Tokyo, Japan | 100,00% | | 2.602 | 6.587 | -3.388 | 4.506 |
| ANDRITZ DELKOR (Pty) Ltd. | Kyalami, Südafrika | 100,00% | | 57 | 2.976 | 89 | 4.688 |
| PT. ANDRITZ | Jakarta, Indonesien | 100,00% | | 360 | 1.085 | 139 | 902 |
| LLC ANDRITZ | St. Petersburg, Russland | 100,00% | | 360 | 977 | 423 | 1.086 |
| LLC ANDRITZ HYDRO | Moskau, Russland | 100,00% | | -118 | 21 | 12 | 132 |
| ANDRITZ Kufferath s.r.o. | Levice, Slowakei | 100,00% | | -114 | 7.033 | 438 | 7.547 |
| ANDRITZ Kft. | Tiszakécske, Ungarn | 100,00% | | -1.136 | 17.849 | -267 | 19.013 |
| ANDRITZ Perfojet S.A.S. | Montbonnot Saint-Martin, Frankreich | 100,00% | | 3.484 | 7.074 | 4.404 | 7.568 |
| ANDRITZ Biax S.A.S. | Le Bourget, Frankreich | 100,00% | | -13 | -84 | 1.284 | -71 |
| ANDRITZ Frautech S.R.L. | Schio, Italien | 100,00% | | -1.413 | 296 | -3.835 | -2.296 |
| ANDRITZ Como S.R.L. | Grandate, Italien | 100,00% | | 39 | 268 | 32 | 229 |
| ANDRITZ Iggesund Tools AB | Igesund, Schweden | 100,00% | | - | - | 8.745 | 15.604 |
| ANDRITZ Asselin-Thibeau S.A.S. | Elbeuf, Frankreich | 100,00% | | 3.899 | 14.881 | 3.611 | 13.731 |
| ANDRITZ Beteiligungsgesellschaft IV GmbH | Krefeld, Deutschland | 100,00% | | 3.036 | 581.929 | 3.276 | 581.994 |
| ANDRITZ (Wuxi) Nonwoven Technology Co. Ltd. | Wuxi, China | 100,00% | | - | - | 0 | 0 |
| ANDRITZ Soutec AG | Neftenbach, Schweiz | 100,00% | | 7.056 | 14.725 | 9.434 | 10.219 |
| ANDRITZ Gouda G.V. | Waddinxveen, Niederlande | 100,00% | | -405 | 15.629 | 1.318 | 17.491 |
| EK Finance SAS | Scorbé-Clairvaux, Frankreich | 100,00% | | 452 | 4.984 | -140 | 2.200 |
| Lenser Filtration GmbH | Senden, Deutschland | 100,00% | | 562 | 11.161 | 458 | 11.047 |
| ANDRITZ FBB GmbH | Mönchengladbach, Deutschland | 100,00% | | -460 | 1.566 | -344 | 1.681 |
| ANDRITZ KMPT GmbH | Vierkirchen, Deutschland | 100,00% | | 2.303 | 20.847 | 2.126 | 18.831 |
| Modul Systeme Engineering GmbH | Laufen, Deutschland | 100,00% | | 493 | 3.698 | 164 | 3.039 |
| ANDRITZ SEPARATION GmbH | Köln, Deutschland | 100,00% | | 1.914 | 8.721 | -3.898 | 4.429 |
| ANDRITZ FZCO | Dubai, Vereinigte Arabische Emirate | 100,00% | | 0 | 0 | - | - |
| BAA Cyber Innovations Ltd. | Tel-Aviv, Israel | 50,01% | | 0 | 0 | - | - |



Die Angaben für Eigenkapital und Jahresüberschuss der verbundenen Unternehmen wurden den zur Erstellung des Konzernabschlusses herangezogenen Abschlüssen, welche entsprechend den „International Financial Reporting Standards“ (IFRS) aufgestellt wurden, entnommen.

Steuerliche Unternehmensgruppe

Zwischen der Andritz AG als Gruppenträger und der Andritz Hydro GmbH, Wien als Gruppenmitglied besteht eine steuerliche Unternehmensgruppe gem. § 9 KStG. Die aus dem Gruppenvertrag resultierenden Steuerumlagen werden nach der sogenannten Belastungsmethode verrechnet, wobei im Falle eines steuerlichen Gewinns das Gruppenmitglied eine Steuerumlage an den Gruppenträger zu entrichten hat, im Falle eines steuerlichen Verlusts dieser evident gehalten und mit späteren Gewinnen des Gruppenmitglieds ausgeglichen wird. Die Steuerumlage ist spätestens bis zum 30.9. des folgenden Geschäftsjahrs zu leisten, der Gruppenträger kann jedoch entsprechende Vorauszahlungen vorschreiben. Der Vertrag wurde auf unbestimmte Dauer geschlossen und unterliegt österreichischem Recht.

Beschäftigte

Im Jahresdurchschnitt wurden 1.763 Mitarbeiter (ohne Lehrlinge) (Vorjahr: 1.761), davon 391 Arbeiter (Vorjahr: 380) und 1.372 Angestellte (Vorjahr: 1.381), beschäftigt.

Aufwendungen für Abfertigungen und Pensionen

| | 2017 | 2016 |
|--|--------------|--------------|
| | TEUR | TEUR |
| für Vorstandsmitglieder und leitende Angestellte | 1.125 | 1.064 |
| für andere | <u>3.852</u> | <u>2.950</u> |
| | <u>4.977</u> | <u>4.014</u> |

Aufwendungen für den Abschlussprüfer

Die Aufwendungen für den Abschlussprüfer werden im Konzernabschluss der Andritz AG angegeben.



Vorschlag zur Verwendung des Ergebnisses

Der Vorstand und der Aufsichtsrat schlagen vor, aus dem zum 31.12.2017 ausgewiesenen Bilanzgewinn in Höhe von EUR 610.032.047,57 eine Dividende in Höhe von EUR 1,55 pro dividendenberechtigter Aktie, das sind auf Basis der im Umlauf befindlichen Aktien insgesamt EUR 156.641.651,50 an die Aktionäre auszuschütten und den verbleibenden Restbetrag von EUR 453.390.396,07 auf neue Rechnung vorzutragen.

Ereignisse nach dem Bilanzstichtag

Wesentliche Ereignisse nach dem Bilanzstichtag fanden nicht statt.



Aktienbeteiligungsprogramm für Führungskräfte

Optionsprogramm 2014:

Die 107. ordentliche Hauptversammlung vom 21. März 2014 hat ein Aktienoptionsprogramm für leitende Angestellte und Mitglieder des Vorstands beschlossen.

Die Anzahl der je berechtigter Führungskraft gewährten Optionen beträgt je nach Verantwortungsbereich bis zu 20.000, für Mitglieder des Vorstands jeweils 37.500. Die Optionen sollen aus von der Gesellschaft rückerworbenen eigenen Aktien bedient werden.

Eine Aktienoption berechtigt zum Bezug einer Aktie. Um eine Aktienoption ausüben zu können, muss der Berechtigte vom 1. Mai 2014 bis vor einem jeden Ausübungszeitpunkt dauernd in einem aktiven Arbeitsverhältnis zur Gesellschaft oder einer zum Andritz-Konzern gehörenden Gesellschaft gestanden haben. Weitere Voraussetzung ist ein Eigeninvestment in Andritz-Aktien von zumindest 20.000 EUR für leitende Angestellte und 40.000 EUR für Mitglieder des Vorstands. Der Ausübungspreis für die Aktienoptionen ist der ungewichtete Durchschnitt der Börsenschlusskurse der Andritz-Aktie während der vier auf die 107. ordentliche Hauptversammlung vom 21. März 2014 folgenden Kalenderwochen und beträgt 44,42 EUR.

Die Optionen können in der Zeit vom 1. Mai 2017 bis 30. April 2019 (= Ausübungszeitraum) ausgeübt werden und nur dann, wenn

- der ungewichtete Schlusskurs der Andritz-Aktie im Durchschnitt von zwanzig aufeinanderfolgenden Handelstagen im Zeitraum von 1. Mai 2016 bis 30. April 2017 mindestens 15% über dem Ausübungspreis liegt und
- der Gewinn je Aktie (bezogen auf die Gesamtzahl der gelisteten Aktien) des Geschäftsjahrs 2015 oder der Gewinn je Aktie des Geschäftsjahrs 2016 (bezogen auf die Gesamtzahl der gelisteten Aktien) mindestens 20% über dem Gewinn je Aktie (bezogen auf die Gesamtzahl der gelisteten Aktien) des Geschäftsjahrs 2012 liegt

oder wenn

- der ungewichtete Schlusskurs der Andritz-Aktie im Durchschnitt von zwanzig aufeinanderfolgenden Handelstagen im Zeitraum 1. Mai 2017 bis 30. April 2018 mindestens 20% über dem Ausübungspreis liegt und
- der Gewinn je Aktie (bezogen auf die Gesamtzahl der gelisteten Aktien) des Geschäftsjahrs 2016 oder der Gewinn je Aktie (bezogen auf die Gesamtzahl der gelisteten Aktien) des Geschäftsjahrs 2017 mindestens 25% über dem Gewinn je Aktie (bezogen auf die Gesamtzahl der gelisteten Aktien) des Geschäftsjahrs 2012 liegt.



Im Falle der Erfüllung der Ausübungsbedingungen können 50% der Optionen sofort, 25% der Optionen nach drei Monaten und die restlichen 25% nach weiteren drei Monaten bezogen werden. Aktienoptionen können nur durch schriftliche Erklärung an die Gesellschaft ausgeübt werden. Die Aktienoptionen sind nicht übertragbar. Die in Ausübung der Aktienoptionen bezogenen Aktien unterliegen keiner Behaltefrist.

Da nicht alle Ausübungskriterien erfüllt werden konnten, sind die Optionen verfallen.

Optionsprogramm 2016:

Die 109. ordentliche Hauptversammlung vom 30. März 2016 hat ein Aktienoptionsprogramm für leitende Angestellte und Mitglieder des Vorstands beschlossen.

Die Anzahl der je berechtigter Führungskraft gewährten Optionen beträgt je nach Verantwortungsbereich bis zu 20.000, für Mitglieder des Vorstands jeweils 37.500. Die Optionen sollen aus von der Gesellschaft rückerworbenen eigenen Aktien bedient werden.

Eine Aktienoption berechtigt zum Bezug einer Aktie. Um eine Aktienoption ausüben zu können, muss der Berechtigte vom 1. Mai 2016 bis vor einem jeden Ausübungszeitpunkt dauernd in einem aktiven Arbeitsverhältnis zur Gesellschaft oder einer zum Andritz-Konzern gehörenden Gesellschaft gestanden haben. Weitere Voraussetzung ist ein Eigeninvestment in Andritz-Aktien von zumindest 20.000 EUR für leitende Angestellte und 40.000 EUR für Mitglieder des Vorstands.

Der Ausübungspreis für die Aktienoptionen ist der ungewichtete Durchschnitt der Börsenschlusskurse der Andritz-Aktie während der vier auf die 109. ordentliche Hauptversammlung vom 30. März 2016 folgenden Kalenderwochen und beträgt 47,80 EUR.

Die Optionen können in der Zeit vom 1. Mai 2019 bis 30. April 2021 (= Ausübungszeitraum) ausgeübt werden und nur dann, wenn

- der ungewichtete Schlusskurs der Andritz-Aktie im Durchschnitt von zwanzig aufeinanderfolgenden Handelstagen im Zeitraum von 1. Mai 2018 bis 30. April 2019 mindestens 15% über dem Ausübungspreis liegt und
- der Gewinn je Aktie (bezogen auf die Gesamtzahl der gelisteten Aktien) des Geschäftsjahrs 2017 oder der Gewinn je Aktie des Geschäftsjahrs 2018 (bezogen auf die Gesamtzahl der gelisteten Aktien) mindestens 15% über dem Gewinn je Aktie (bezogen auf die Gesamtzahl der gelisteten Aktien) des Geschäftsjahrs 2015 liegt

oder wenn



- der ungewichtete Schlusskurs der Andritz-Aktie im Durchschnitt von zwanzig aufeinanderfolgenden Handelstagen im Zeitraum 1. Mai 2019 bis 30. April 2020 mindestens 20% über dem Ausübungspreis liegt und
- der Gewinn je Aktie (bezogen auf die Gesamtzahl der gelisteten Aktien) des Geschäftsjahrs 2018 oder der Gewinn je Aktie (bezogen auf die Gesamtzahl der gelisteten Aktien) des Geschäftsjahrs 2019 mindestens 20% über dem Gewinn je Aktie (bezogen auf die Gesamtzahl der gelisteten Aktien) des Geschäftsjahrs 2015 liegt.

Im Falle der Erfüllung der Ausübungsbedingungen können 50% der Optionen sofort, 25% der Optionen nach drei Monaten und die restlichen 25% nach weiteren drei Monaten bezogen werden. Aktienoptionen können nur durch schriftliche Erklärung an die Gesellschaft ausgeübt werden. Die Aktienoptionen sind nicht übertragbar. Die in Ausübung der Aktienoptionen bezogenen Aktien unterliegen keiner Behaltfrist.

| | Optionsprogramm 2016 |
|--|--|
| | ingeräumte Optionen per 31.12.2017 |
| Vorstand | |
| Wolfgang Leitner | 37.500 |
| Humbert Köfler | 37.500 |
| Joachim Schönbeck | 37.500 |
| Wolfgang Semper | 37.500 |
| Leitende Angestellte | 724.500 |
| GESAMT | 874.500 |
| Ausübungspreis je Aktie in EUR | 47,80 |
| Innerer Wert Optionen gesamt in EUR | 31.12.2017 0 |



Derivative Finanzinstrumente

Fremdwährungsrisiken, welche durch Devisentermingeschäfte abgesichert werden, resultieren im Wesentlichen aus dem laufenden Geschäftsbetrieb sowie den Ausleihungen. Der Absicherungszeitraum der laufenden Geschäfte entspricht jenen der zugrunde liegenden Geschäfte. Kurssicherungen im Zusammenhang mit Ausleihungen werden quartalsweise verlängert. Zum Bilanzstichtag bestanden folgende Devisentermingeschäfte (in TEUR):

| Währung | | Umfang | Zeitwert |
|------------------|------------------------|---------|----------|
| USD | Kauf | 7.557 | -373 |
| | Verkauf | 131.393 | 1.891 |
| | USD Summe | 138.949 | 1.518 |
| INR | Kauf | 0 | 0 |
| | Verkauf | 29.303 | 158 |
| | USD Summe | 29.303 | 158 |
| CNY | Kauf | 13.532 | 132 |
| CNH | Verkauf | 4.072 | -4 |
| | CNY/CNH Summe | 17.603 | 128 |
| Andere Währungen | Kauf | 2.028 | -21 |
| | Verkauf | 2.881 | -9 |
| | Andere Währungen Summe | 4.909 | -30 |
| Summe | | 190.764 | 1.775 |

Der beizulegende Zeitwert wird auf Basis der Terminkurse zum Bilanzstichtag durch Abzinsung des ermittelten Endwerts über die Restlaufzeit errechnet. Die Effektivitätsmessung der Devisentermingeschäfte erfolgt bei Laufzeitende durch Ermittlung der Gesamtkursdifferenz aus Grundgeschäft und Kurssicherung.

Drohende Verluste aus derivativen Finanzinstrumenten werden in der Bilanz nicht passiviert, da diese mit bilanzierten Aktiv- bzw. Passivposten eine geschlossene Position bilden.

Die Laufzeit des Zinsswaps entspricht jener der Anleihe. Die beizulegenden Zeitwerte für die Zinssicherung der Anleihen in Form von Zinsswaps betragen zum 31.12.2017 9.570 TEUR (Vorjahr: 15.380 TEUR) und repräsentieren die Marktwerte zum Bilanzstichtag.



Vorstand und Aufsichtsrat

Als Aufwendungen für den Vorstand wurden erfasst:

| | in TEUR | |
|--|---------|-------|
| | 2017 | 2016 |
| Kurzfristige Leistungen | 10.018 | 8.823 |
| Leistungen nach Beendigung des Arbeitsverhältnisses | 427 | 344 |
| Aktienbasierte Vergütungen | (331) | 621 |
| | 10.114 | 9.788 |

Der Gegenwert der aktienbasierten Vergütungen wurde nach IFRS ermittelt. Für Pensions-, Abfertigungs- und Jubiläumsgeldansprüche werden die Dienstzeitaufwendungen gemäß IAS 19 angesetzt.

Von verbundenen Unternehmen wurden keine Bezüge ausbezahlt. An ehemalige Vorstandsmitglieder und deren Hinterbliebene wurden 387.047 EUR (Vorjahr: 385.606 EUR) ausbezahlt.

Eine dem Vorstandsvorsitzenden der Andritz AG zuzurechnende Gesellschaft überlässt den Betrieb eines der in ihrem Eigentum stehenden Geschäftsflugzeuge einem professionellen Privatflugunternehmen. Der Aufwand für die Charterleistung im Zusammenhang mit diesem Flugzeug für Dienstreisen des Vorstandsvorsitzenden und anderer Vorstandsmitglieder betrug 2017 1.058 TEUR (Vorjahr: 954 TEUR). Es bestanden zum 31. Dezember 2017 Verbindlichkeiten in Höhe von 44 TEUR (Vorjahr: 0 TEUR). Diese sowie andere Geschäftsbeziehungen zu Unternehmen, in denen Aufsichtsratsmitglieder bzw. Mitglieder des Vorstands der Andritz AG tätig sind, werden zu marktüblichen Bedingungen durchgeführt und sind einzeln und insgesamt von untergeordneter Bedeutung.

Die Aufsichtsratsvergütungen (inklusive Sitzungsgelder) für das Geschäftsjahr 2017 betragen vorbehaltlich der Genehmigung durch die Hauptversammlung insgesamt 300.000 EUR (Vorjahr: 292.500 EUR).



Aufsichtsrat:

Gewählte Mitglieder:

Christian Nowotny
Vorsitzender
Fritz Oberlerchner
Stellvertreter des Vorsitzenden
Jürgen Herrmann Fechter
Alexander Isola
Monika Kircher
Kurt Stiassny

Delegierte Mitglieder:

Georg Auer
Isolde Findenig
Andreas Martiner

Vorstand:

Wolfgang Leitner
Vorsitzender
Humbert Köfler
Joachim Schönbeck
Wolfgang Semper
Mark von Laer (seit 1.3.2017)

Graz, am 23. Februar 2018

Der Vorstand

Wolfgang Leitner Humbert Köfler Joachim Schönbeck Wolfgang Semper Mark von Laer



Bestätigungsvermerk

Bericht zum Jahresabschluss

Prüfungsurteil

Wir haben den Jahresabschluss der

**Andritz AG,
Graz,**

bestehend aus der Bilanz zum 31. Dezember 2017, der Gewinn- und Verlustrechnung für das an diesem Stichtag endende Geschäftsjahr und dem Anhang, geprüft.

Nach unserer Beurteilung entspricht der Jahresabschluss den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage zum 31. Dezember 2017 sowie der Ertragslage der Gesellschaft für das an diesem Stichtag endende Geschäftsjahr in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften.

Grundlage für das Prüfungsurteil

Wir haben unsere Abschlussprüfung in Übereinstimmung mit der EU-Verordnung Nr 537/2014 (im Folgenden EU-VO) und mit den österreichischen Grundsätzen ordnungsgemäßer Abschlussprüfung durchgeführt. Diese Grundsätze erfordern die Anwendung der International Standards on Auditing (ISA). Unsere Verantwortlichkeiten nach diesen Vorschriften und Standards sind im Abschnitt "Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Jahresabschlusses" unseres Bestätigungsvermerks weitergehend beschrieben. Wir sind von der Gesellschaft unabhängig in Übereinstimmung mit den österreichischen unternehmensrechtlichen und berufsrechtlichen Vorschriften und wir haben unsere sonstigen beruflichen Pflichten in Übereinstimmung mit diesen Anforderungen erfüllt. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen.

Besonders wichtige Prüfungssachverhalte

Besonders wichtige Prüfungssachverhalte sind solche Sachverhalte, die nach unserem pflichtgemäßen Ermessen am bedeutsamsten für unsere Prüfung des Jahresabschlusses des Geschäftsjahres waren. Diese Sachverhalte wurden im Zusammenhang mit unserer Prüfung des Jahresabschlusses als Ganzem und bei der Bildung unseres Prüfungsurteils hierzu berücksichtigt und wir geben kein gesondertes Prüfungsurteil zu diesen Sachverhalten ab.



Bilanzierung des Projektgeschäfts

siehe Anhang Kapitel II. Noch nicht abrechenbare Leistungen und Sonstige Rückstellungen sowie III. Umsatzerlöse

Das Risiko für den Abschluss

Der überwiegende Anteil der im Geschäftsjahr ausgewiesenen Umsatzerlöse und operativen Ergebnisbeiträge der Andritz AG stammen aus dem Projektgeschäft. Das Projektgeschäft der Andritz AG umfasst eine große Anzahl von Projekten mit Projektvolumen von jeweils über 50 MEUR und einer Laufzeit über mehrere Jahre. Die Erfassung der Umsatzerlöse erfolgt mit der Endabnahme des Projektes durch den Kunden. Projekte, die noch nicht abgeschlossen sind, werden unter den nicht abrechenbaren Leistungen in Höhe ihrer Herstellungskosten ausgewiesen. Insoweit als für noch nicht abgeschlossene Projekte voraussichtlich ein Verlust entsteht, vermindert die Andritz AG die noch nicht abrechenbaren Leistungen in Höhe des erwarteten Verlustes. Falls der Buchwert der noch nicht abrechenbaren Leistungen Null beträgt, erfolgt darüber hinaus der Ansatz einer Rückstellung für drohende Verluste. Für abgeschlossene Projekte besteht über einen bestimmten Zeitraum die Verpflichtung zur Gewährleistung. Bei einigen laufenden oder abgeschlossenen Projekten kam es zu unterschiedlichen Auffassungen mit Kunden und/oder Lieferanten über die vertraglichen Verpflichtungen, aus denen drohende oder bereits anhängige Rechtsstreitigkeiten resultierten. Sowohl für die Gewährleistungsverpflichtungen als auch für drohende Verpflichtungen aus Rechtsstreitigkeiten setzt die Andritz AG Rückstellungen an. Die Bewertung der noch nicht abrechenbaren Leistungen und der projektbezogenen Rückstellungen erfordert in erheblichem Umfang Annahmen und zukunftsbezogene Schätzungen. Auf Grund des wesentlichen Umfangs des Projektgeschäfts resultiert daraus das Risiko, dass die Bestandsveränderungen (bestehend aus Veränderung des Bestands an fertigen Erzeugnissen sowie an noch nicht abrechenbaren Leistungen und Veränderungen der Auftragsrückstellungen) in der Gewinn- und Verlustrechnung und projektbezogene Bilanzposten wesentlich falsch dargestellt sind.

Unsere Vorgehensweise in der Prüfung

Wir haben im Zuge unserer Prüfung ein Verständnis über die für die Projektbilanzierung relevanten Prozesse und internen Kontrollen erlangt und die Wirksamkeit ausgewählter interner Kontrollen überprüft. Dies betraf vor allem interne Kontrollen in Zusammenhang mit der Freigabe der Projektkalkulation beim Abschluss neuer Verträge, der Billigung der Mitkalkulation und den Statusberichten zu laufenden Projekten und der Einschätzung des Betrages ausstehender oder drohender Kosten aus Projekten. Auf Basis der Ergebnisse dieser Überprüfung haben wir weitere Prüfungshandlungen festgelegt.

Diese Prüfungshandlungen haben wir auf eine ausgewählte Stichprobe von Projekten angewendet und für diese Projekte die von den gesetzlichen Vertretern vorgenommenen Ermessensentscheidungen beurteilt. Die Auswahl der Stichprobe erfolgte nach risikoorientierten Kriterien wie Projektgröße, geringe oder negative Projektmargen oder hohe Margenanpassungen. Die Prüfungshandlungen umfassten vor allem die Durchsicht der zugrundeliegenden Verträge und Vereinbarungen, die kritische Würdigung der aktuellen Projektinformationen, die Befragung von Projektverantwortlichen, oder Projektcontrollern zur Plausibilität der getroffenen Schätzungen und Annahmen, die Beurteilung der Schätzungsgenauigkeit durch Vergleich der eingetretenen Ergebnisse mit den Schätzungen in den Vorjahren und die Abstimmung der Annahmen und in die Schätzung eingeflossenen Werte mit Vertragsdokumenten und anderen relevanten Unterlagen. Darüber hinaus haben wir für im Geschäftsjahr endabgerechnete Projekte gewürdigt, ob entsprechende finale Abnahmeprotokolle der jeweiligen Auftraggeber vorhanden sind.



Werthaltigkeit der Anteile an verbundenen Unternehmen

siehe Anhang Kapitel II. Finanzanlagen

Das Risiko für den Abschluss

Die Anteile an verbundenen Unternehmen der Andritz AG betragen zum Bilanzstichtag 1.373 MEUR. Die relevanten Rechnungslegungsvorschriften des UGB erfordern bei Vorliegen von Anzeichen für eine dauernde Wertminderung eine Überprüfung der Werthaltigkeit der Anteile mittels einer Unternehmensbewertung.

Das Ergebnis dieser Bewertung ist in hohem Maße von der Einschätzung des künftigen Umsatzwachstums und der Ergebnismargen und der daraus resultierenden Zahlungsüberschüsse sowie Annahmen zur Festlegung der verwendeten Diskontierungszinssätze abhängig und daher mit einer erheblichen Unsicherheit behaftet.

Für den Abschluss besteht das Risiko einer Überbewertung dieses Bilanzpostens.

Unsere Vorgehensweise in der Prüfung

Wir haben uns ein Verständnis darüber verschafft, wie die Andritz AG das Vorliegen von Anzeichen einer dauernden Wertminderung überwacht.

Bei aktuellen Unternehmensbewertungen haben wir die Angemessenheit der wesentlichen zukunftsbezogenen Schätzungen und Annahmen sowie der angewendeten Bewertungsmethoden unter Konsultation von unseren Bewertungsspezialisten beurteilt.

Die den Berechnungen zugrunde gelegten erwarteten Umsatz- und Margenentwicklungen haben wir mit der aktuellen Unternehmensplanung abgeglichen und die zugrundeliegenden Planungsannahmen mit dem Management besprochen sowie anhand von Informationen über die aktuelle und erwartete Entwicklung der jeweiligen Einheit plausibilisiert. Die Planungstreue haben wir durch Vergleich der in den Vorperioden erfolgten Planungen mit den tatsächlich eingetretenen Werten beurteilt.

Die zur Festlegung der Diskontierungszinssätze herangezogenen Annahmen haben wir durch Abgleich mit markt- und branchenspezifischen Richtwerten und Ermittlungsmethoden auf Angemessenheit geprüft sowie das Berechnungsschema nachvollzogen.

Verantwortlichkeiten der gesetzlichen Vertreter und des Prüfungsausschusses für den Jahresabschluss

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Jahresabschlusses und dafür, dass dieser in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt. Ferner sind die gesetzlichen Vertreter verantwortlich für die internen Kontrollen, die sie als notwendig erachten, um die Aufstellung eines Jahresabschlusses zu ermöglichen, der frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist.

Bei der Aufstellung des Jahresabschlusses sind die gesetzlichen Vertreter dafür verantwortlich, die Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit zu beurteilen, Sachverhalte im Zusammenhang mit der Fortführung der Unternehmenstätigkeit – sofern einschlägig – anzugeben, sowie dafür, den Rechnungslegungsgrundsatz der Fortführung der Unternehmenstätigkeit anzuwenden, es sei denn, die gesetzlichen Vertreter beabsichtigen, entweder die Gesellschaft zu liquidieren oder die Unternehmenstätigkeit einzustellen oder haben keine realistische Alternative dazu.



Der Prüfungsausschuss ist verantwortlich für die Überwachung des Rechnungslegungsprozesses der Gesellschaft.

Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Jahresabschlusses

Unsere Ziele sind hinreichende Sicherheit darüber zu erlangen, ob der Jahresabschluss als Ganzes frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist und einen Bestätigungsvermerk zu erteilen, der unser Prüfungsurteil beinhaltet. Hinreichende Sicherheit ist ein hohes Maß an Sicherheit, aber keine Garantie dafür, dass eine in Übereinstimmung mit der EU-VO und mit den österreichischen Grundsätzen ordnungsgemäßer Abschlussprüfung, die die Anwendung der ISA erfordern, durchgeführte Abschlussprüfung eine wesentliche falsche Darstellung, falls eine solche vorliegt, stets aufdeckt. Falsche Darstellungen können aus dolosen Handlungen oder Irrtümern resultieren und werden als wesentlich angesehen, wenn von ihnen einzeln oder insgesamt vernünftigerweise erwartet werden könnte, dass sie die auf der Grundlage dieses Jahresabschlusses getroffenen wirtschaftlichen Entscheidungen von Nutzern beeinflussen.

Als Teil einer Abschlussprüfung in Übereinstimmung mit der EU-VO und mit den österreichischen Grundsätzen ordnungsgemäßer Abschlussprüfung, die die Anwendung der ISA erfordern, üben wir während der gesamten Abschlussprüfung pflichtgemäßes Ermessen aus und bewahren eine kritische Grundhaltung.

Darüber hinaus gilt:

- Wir identifizieren und beurteilen die Risiken wesentlicher – beabsichtigter oder unbeabsichtigter – falscher Darstellungen im Abschluss, planen Prüfungshandlungen als Reaktion auf diese Risiken, führen sie durch und erlangen Prüfungsnachweise, die ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen. Das Risiko, dass aus dolosen Handlungen resultierende wesentliche falsche Darstellungen nicht aufgedeckt werden, ist höher als ein aus Irrtümern resultierendes, da dolose Handlungen betrügerisches Zusammenwirken, Fälschungen, beabsichtigte Unvollständigkeiten, irreführende Darstellungen oder das Außerkraftsetzen interner Kontrollen beinhalten können.
- Wir gewinnen ein Verständnis von dem für die Abschlussprüfung relevanten internen Kontrollsystem, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit des internen Kontrollsystems der Gesellschaft abzugeben.
- Wir beurteilen die Angemessenheit der von den gesetzlichen Vertretern angewandten Rechnungslegungsmethoden sowie die Vertretbarkeit der von den gesetzlichen Vertretern dargestellten geschätzten Werte in der Rechnungslegung und damit zusammenhängende Angaben.
- Wir ziehen Schlussfolgerungen über die Angemessenheit der Anwendung des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit durch die gesetzlichen Vertreter sowie, auf der Grundlage der erlangten Prüfungsnachweise, ob eine wesentliche Unsicherheit im Zusammenhang mit Ereignissen oder Gegebenheiten besteht, die erhebliche Zweifel an der Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit aufwerfen kann. Falls wir die Schlussfolgerung ziehen, dass eine wesentliche Unsicherheit besteht, sind wir verpflichtet, in unserem Bestätigungsvermerk auf die dazugehörigen Angaben im Jahresabschluss aufmerksam zu machen oder, falls diese Angaben unangemessen sind, unser Prüfungsurteil zu modifizieren. Wir ziehen unsere Schlussfolgerungen auf der Grundlage der bis zum Datum unseres Bestätigungsvermerks erlangten Prüfungsnachweise. Zukünftige Ereignisse oder Gegebenheiten können jedoch die Abkehr der Gesellschaft von der Fortführung der Unternehmenstätigkeit zur Folge haben.



- Wir beurteilen die Gesamtdarstellung, den Aufbau und den Inhalt des Jahresabschlusses einschließlich der Angaben sowie ob der Jahresabschluss die zugrunde liegenden Geschäftsvorfälle und Ereignisse in einer Weise wiedergibt, dass ein möglichst getreues Bild erreicht wird.
- Wir tauschen uns mit dem Prüfungsausschuss unter anderem über den geplanten Umfang und die geplante zeitliche Einteilung der Abschlussprüfung sowie über bedeutsame Prüfungsfeststellungen, einschließlich etwaiger bedeutsamer Mängel im internen Kontrollsystem, die wir während unserer Abschlussprüfung erkennen, aus.
- Wir geben dem Prüfungsausschuss auch eine Erklärung ab, dass wir die relevanten beruflichen Verhaltensanforderungen zur Unabhängigkeit eingehalten haben und uns mit ihm über alle Beziehungen und sonstigen Sachverhalte austauschen, von denen vernünftigerweise angenommen werden kann, dass sie sich auf unsere Unabhängigkeit und – sofern einschlägig – damit zusammenhängende Schutzmaßnahmen auswirken.
- Wir bestimmen von den Sachverhalten, über die wir uns mit dem Prüfungsausschuss ausgetauscht haben, diejenigen Sachverhalte, die am bedeutsamsten für die Prüfung des Jahresabschlusses des Geschäftsjahres waren und daher die besonders wichtigen Prüfungssachverhalte sind. Wir beschreiben diese Sachverhalte in unserem Bestätigungsvermerk, es sei denn, Gesetze oder andere Rechtsvorschriften schließen die öffentliche Angabe des Sachverhalts aus oder wir bestimmen in äußerst seltenen Fällen, dass ein Sachverhalt nicht in unserem Bestätigungsvermerk mitgeteilt werden sollte, weil vernünftigerweise erwartet wird, dass die negativen Folgen einer solchen Mitteilung deren Vorteile für das öffentliche Interesse übersteigen würden.



Sonstige gesetzliche und andere rechtliche Anforderungen

Bericht zum Lagebericht

Der Lagebericht ist auf Grund der österreichischen unternehmensrechtlichen Vorschriften darauf zu prüfen, ob er mit dem Jahresabschluss in Einklang steht und ob er nach den geltenden rechtlichen Anforderungen aufgestellt wurde. Zu der im Lagebericht enthaltenen nichtfinanziellen Erklärung ist es unsere Verantwortung zu prüfen, ob sie aufgestellt wurde, sie zu lesen und abzuwägen, ob sie angesichts des bei der Prüfung gewonnenen Verständnisses wesentlich im Widerspruch zum Jahresabschluss steht oder sonst wesentlich falsch dargestellt erscheint.

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Lageberichts in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften.

Wir haben unsere Prüfung in Übereinstimmung mit den Berufsgrundsätzen zur Prüfung des Lageberichts durchgeführt.

Urteil

Nach unserer Beurteilung ist der Lagebericht nach den geltenden rechtlichen Anforderungen aufgestellt worden, enthält die nach § 243a UGB zutreffenden Angaben, und steht in Einklang mit dem Jahresabschluss.

Erklärung

Angesichts der bei der Prüfung des Jahresabschlusses gewonnenen Erkenntnisse und des gewonnenen Verständnisses über die Gesellschaft und ihr Umfeld haben wir keine wesentlichen fehlerhaften Angaben im Lagebericht festgestellt.

Sonstige Informationen

Die gesetzlichen Vertreter sind für die sonstigen Informationen verantwortlich. Die sonstigen Informationen beinhalten alle Informationen im Geschäftsbericht, ausgenommen den Jahresabschluss, den Lagebericht und den diesbezüglichen Bestätigungsvermerk.

Unser Prüfungsurteil zum Jahresabschluss deckt diese sonstigen Informationen nicht ab und wir geben keine Art der Zusicherung darauf ab.

In Verbindung mit unserer Prüfung des Jahresabschlusses ist es unsere Verantwortung, diese sonstigen Informationen zu lesen und zu überlegen, ob es wesentliche Unstimmigkeiten zwischen den sonstigen Informationen und dem Jahresabschluss oder mit unserem, während der Prüfung erlangten Wissen gibt oder diese sonstigen Informationen sonst wesentlich falsch dargestellt erscheinen. Falls wir, basierend auf den durchgeführten Arbeiten, zur Schlussfolgerung gelangen, dass die sonstigen Informationen wesentlich falsch dargestellt sind, müssen wir dies berichten. Wir haben diesbezüglich nichts zu berichten.



Zusätzliche Angaben nach Artikel 10 EU-VO

Wir wurden von der Hauptversammlung am 28. März 2017 als Abschlussprüfer gewählt und am 13. Oktober 2017 vom Aufsichtsrat mit der Abschlussprüfung der Gesellschaft beauftragt. Wir sind ohne Unterbrechung seit dem Jahresabschluss zum 31. Dezember 2016 Abschlussprüfer der Gesellschaft.

Wir erklären, dass das Prüfungsurteil im Abschnitt "Bericht zum Jahresabschluss" mit dem zusätzlichen Bericht an den Prüfungsausschuss nach Artikel 11 der EU-VO in Einklang steht.

Wir erklären, dass wir keine verbotenen Nichtprüfungsleistungen (Artikel 5 Abs 1 der EU-VO) erbracht haben und dass wir bei der Durchführung der Abschlussprüfung unsere Unabhängigkeit von der geprüften Gesellschaft gewahrt haben.

Auftragsverantwortlicher Wirtschaftsprüfer

Der für die Abschlussprüfung auftragsverantwortliche Wirtschaftsprüfer ist Herr Mag. Helmut Kerschbaumer.

Wien, am 23. Februar 2018

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Helmut Kerschbaumer
Wirtschaftsprüfer