FINANCIAL REPORT
H1 2014

ANDRITZ

KEY FINANCIAL FIGURES OF THE ANDRITZ GROUP

	Unit	**H1 2014**	H1 2013	+/-	**Q2 2014**	Q2 2013	+/-	2013
Order intake	*MEUR*	2,980.2	2,526.0	+18.0%	1,238.0	1,237.7	0.0%	5,611.0
Order backlog (as of end of period)	*MEUR*	7,555.7	7,644.4	-1.2%	7,555.7	7,644.4	-1.2%	7,388.5
Sales	*MEUR*	2,659.4	2,610.1	+1.9%	1,439.9	1,446.3	-0.4%	5,710.8
Return on sales[1]	*%*	3.5	2.5	-	4.5	4.3	-	1.6
EBITDA[2]	*MEUR*	175.7	136.0	+29.2%	106.2	104.0	+2.1%	255.2
EBITA[3]	*MEUR*	133.4	96.9	+37.7%	84.8	82.7	+2.5%	164.1
Earnings Before Interest and Taxes (EBIT)	*MEUR*	94.4	65.9	+43.2%	65.4	62.8	+4.1%	89.8
Earnings Before Taxes (EBT)	*MEUR*	92.7	62.8	+47.6%	65.2	60.8	+7.2%	80.3
Net income (including non-controlling interests)	*MEUR*	64.9	44.8	+44.9%	45.6	43.0	+6.0%	53.2
Net income (without non-controlling interests)	*MEUR*	66.7	46.9	+42.2%	46.0	42.8	+7.5%	66.6
Cash flow from operating activities	*MEUR*	49.0	-86.5	+156.6%	-12.0	-6.8	-76.5%	93.7
Capital expenditure[4]	*MEUR*	34.4	44.4	-22.5%	17.2	23.0	-25.2%	111.4
Employees (as of end of period; without apprentices)	-	24,126	23,849	+1.2%	24,126	23,849	+1.2%	23,713
Fixed assets	*MEUR*	1,710.5	1,818.1	-5.9%	1,710.5	1,818.1	-5.9%	1,759.0
Current assets	*MEUR*	3,877.0	3,694.6	+4.9%	3,877.0	3,694.6	+4.9%	3,812.4
Shareholders' equity[5]	*MEUR*	945.2	949.1	-0.4%	945.2	949.1	-0.4%	929.5
Provisions	*MEUR*	943.2	901.3	+4.6%	943.2	901.3	+4.6%	993.6
Liabilities	*MEUR*	3,699.1	3,662.3	+1.0%	3,699.1	3,662.3	+1.0%	3,648.3
Total assets	*MEUR*	5,587.5	5,512.7	+1.4%	5,587.5	5,512.7	+1.4%	5,571.4
Equity ratio[6]	*%*	16.9	17.2	-	16.9	17.2	-	16.7
Return on equity[7]	*%*	9.8	6.6	-	6.9	6.4	-	8.6
Return on investment[8]	*%*	1.7	1.2	-	1.2	1.1	-	1.6
Liquid funds[9]	*MEUR*	1,497.7	1,459.2	+2.6%	1,497.7	1,459.2	+2.6%	1,517.0
Net liquidity[10]	*MEUR*	868.8	817.7	+6.2%	868.8	817.7	+6.2%	893.1
Net debt[11]	*MEUR*	-549.0	-498.4	-10.2%	-549.0	-498.4	-10.2%	-585.0
Net working capital[12]	*MEUR*	-511.9	-524.5	+2.4%	-511.9	-524.5	+2.4%	-539.4
Capital employed[13]	*MEUR*	431.8	518.3	-16.7%	431.8	518.3	-0.2	443.6
Gearing[14]	*%*	-58.1	-52.5	-	-58.1	-52.5	-	-62.9
EBITDA margin	*%*	6.6	5.2	-	7.4	7.2	-	4.5
EBITA margin	*%*	5.0	3.7	-	5.9	5.7	-	2.9
EBIT margin	*%*	3.5	2.5	-	4.5	4.3	-	1.6
Net income[15]/sales	*%*	2.4	1.7	-	3.2	3.0	-	0.9
EV[16]/EBITDA	-	20.0	24.1	-	33.1	31.6	-	15.1
Depreciation and amortization/sales	*%*	3.1	2.7	-	2.8	2.8	-	2.8

1) EBIT (Earnings Before Interest and Taxes)/sales 2) Earnings Before Interest, Taxes, Depreciation and Amortization 3) Earnings Before Interest, Taxes, Amortization of identifiable assets acquired in a business combination and recognized separately from goodwill at the amount of 38,993 TEUR (31,025 TEUR for H1 2013, 70,529 TEUR for 2013) and impairment of goodwill at the amount of 0 TEUR (0 TEUR for H1 2013, 3,800 TEUR for 2013) 4) Additions to intangible assets and property, plant, and equipment 5) Total shareholders' equity incl. non-controlling interests 6) Shareholders' equity/total assets 7) EBT (Earnings Before Taxes)/shareholders' equity 8) EBIT (Earnings Before Interest and Taxes)/total assets 9) Cash and cash equivalents plus marketable securities plus loans against borrowers' notes 10) Liquid funds plus fair value of interest rate swaps minus financial liabilities 11) Interest bearing liabilities including provisions for severance payments, pensions, and jubilee payments minus cash and cash equivalents, marketable securities and loans against borrowers' notes 12) Non-current receivables plus current assets (excluding cash and cash equivalents as well as marketable securities and loans against borrowers' notes) minus other non-current liabilities and current liabilities (excluding financial liabilities and provisions) 13) Net working capital plus intangible assets and property, plant, and equipment 14) Net debt/total shareholders' equity 15) Net income (including non-controlling interests) 16) EV (Enterprise Value): market capitalization based on closing price as of end of period minus net liquidity

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

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

KEY FINANCIAL FIGURES OF THE BUSINESS AREAS

HYDRO	Unit	H1 2014	H1 2013	+/-	Q2 2014	Q2 2013	+/-	2013
Order intake	MEUR	814.7	854.3	-4.6%	291.4	280.1	+4.0%	1,865.4
Order backlog (as of end of period)	MEUR	3,628.6	3,795.4	-4.4%	3,628.6	3,795.4	-4.4%	3,722.4
Sales	MEUR	805.5	850.6	-5.3%	442.7	469.4	-5.7%	1,804.8
EBITDA	MEUR	71.8	76.2	-5.8%	40.2	42.2	-4.7%	176.8
EBITDA margin	%	8.9	9.0	-	9.1	9.0	-	9.8
EBITA	MEUR	56.8	61.3	-7.3%	32.4	34.7	-6.6%	146.9
EBITA margin	%	7.1	7.2	-	7.3	7.4	-	8.1
Employees (as of end of period; without apprentices)	-	7,673	7,782	-1.4%	7,673	7,782	-1.4%	7,445

PULP & PAPER	Unit	H1 2014	H1 2013	+/-	Q2 2014	Q2 2013	+/-	2013
Order intake	MEUR	1,057.2	815.0	+29.7%	402.4	391.5	+2.8%	1,907.7
Order backlog (as of end of period)	MEUR	2,027.9	1,892.6	+7.1%	2,027.9	1,892.6	+7.1%	1,885.6
Sales	MEUR	869.3	932.2	-6.7%	469.7	479.8	-2.1%	2,005.3
EBITDA	MEUR	49.8	10.0	+398.0%	33.5	28.1	+19.2%	-11.5
EBITDA margin	%	5.7	1.1	-	7.1	5.9	-	-0.6
EBITA	MEUR	37.8	-1.5	+2,620.0%	27.4	22.2	+23.4%	-35.7
EBITA margin	%	4.3	-0.2	-	5.8	4.6	-	-1.8
Employees (as of end of period; without apprentices)	-	7,392	6,902	+7.1%	7,392	6,902	+7.1%	7,136

METALS*	Unit	H1 2014	H1 2013	+/-	Q2 2014	Q2 2013	+/-	2013
Order intake	MEUR	797.9	534.5	+49.3%	377.8	390.0	-3.1%	1,233.8
Order backlog (as of end of period)	MEUR	1,497.4	1,569.8	-4.6%	1,497.4	1,569.8	-4.6%	1,427.6
Sales	MEUR	722.3	549.2	+31.5%	389.5	347.2	+12.2%	1,311.0
EBITDA	MEUR	50.2	45.1	+11.3%	31.1	29.4	+5.8%	76.6
EBITDA margin	%	7.0	8.2	-	8.0	8.5	-	5.8
EBITA	MEUR	38.7	37.3	+3.8%	25.4	23.9	+6.3%	53.5
EBITA margin	%	5.4	6.8	-	6.5	6.9	-	4.1
Employees (as of end of period; without apprentices)	-	6,239	6,383	-2.3%	6,239	6,383	-2.3%	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	H1 2014	H1 2013	+/-	Q2 2014	Q2 2013	+/-	2013
Order intake	MEUR	310.4	322.2	-3.7%	166.4	176.1	-5.5%	604.1
Order backlog (as of end of period)	MEUR	401.8	386.6	+3.9%	401.8	386.6	+3.9%	352.9
Sales	MEUR	262.4	278.1	-5.6%	138.1	149.9	-7.9%	589.7
EBITDA	MEUR	4.0	4.7	-14.9%	1.5	4.3	-65.1%	13.3
EBITDA margin	%	1.5	1.7	-	1.1	2.9	-	2.3
EBITA	MEUR	0.1	-0.2	+150.0%	-0.4	1.9	-121.1%	-0.6
EBITA margin	%	0.0	-0.1	-	-0.3	1.3	-	-0.1
Employees (as of end of period; without apprentices)	-	2,821	2,783	+1.4%	2,821	2,783	+1.4%	2,832

MANAGEMENT REPORT

GENERAL ECONOMIC CONDITIONS

In the second quarter of 2014, economic development in the world's most important economic regions remained moderate compared to the previous quarter.

Compared to a weak first quarter, the USA saw a slight economic upswing during the reporting period. The unemployment rate dropped from 6.7% to 6.1%, and economic experts estimate a further decrease to around 6.0% by the end of the year. With some time delay this should have a positive effect on private spending, which makes the largest contribution to the gross national product in the USA. The US Federal Reserve has announced that key interest rates will remain at their historically low level close to zero and monthly bond purchases will be gradually reduced by ten billion dollars to 35 billion dollars.

In Europe, the economy continued its moderate development, with large regional differences in some areas. As a result and also in view of the imminent danger of possible deflation in the euro zone, the European Central Bank (ECB) announced that it will lower the key interest rate to a record low level of 0.15% in order to continue supporting the economy in the euro zone. The deposit rate at which banks can make short-term deposits with the ECB was lowered into negative territory for the first time in order to encourage banks to provide cash in the form of loans to consumers and companies.

The Chinese economy saw slight growth due to government incentives and will achieve a gross domestic product growth of 7.3% in 2014 according to economic experts. Economic performance continued to develop very moderate in Brazil and India, where the economy was stagnating as a result of cash outflows and increases in key interest rates.

Sources: research reports by various banks, OECD

BUSINESS DEVELOPMENT

Notes

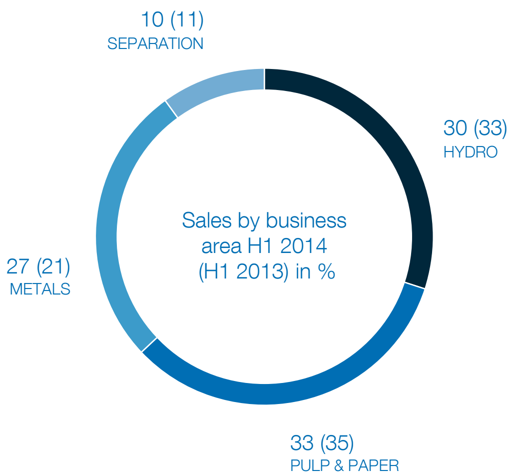
- All figures according to IFRS
- Due to the utilization of automatic calculation programs, differences can arise in the addition of rounded totals and percentages.
- MEUR = million euro; TEUR = thousand euro
- The Schuler Group was consolidated into the consolidated financial statements of the ANDRITZ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

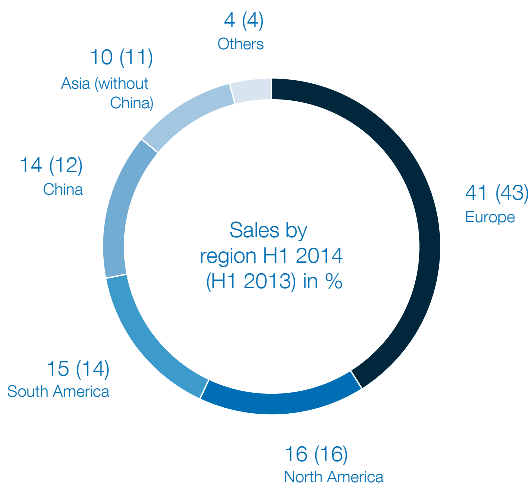
Sales

In the second quarter of 2014, sales of the ANDRITZ GROUP amounted to 1,439.9 MEUR and thus almost reached the level of the previous year's reference period (-0.4% versus Q2 2013: 1,446.3 MEUR). The Schuler Group contributed 282.2 MEUR (Q2 2013: 265.4 MEUR) – excluding Schuler, the Group's sales would have decreased by 2.0%. While sales in the HYDRO business area declined by 5.7% and in the PULP & PAPER business area by 2.1% compared to the previous year's reference period, sales in the METALS business area increased by 12.2%; excluding Schuler, the business area's sales would have increased significantly by 31.2%, which is attributable particularly to the high order intake in the past three quarters. In the SEPARATION business area, sales decreased by 7.9% compared to the second quarter of 2013.

In the first half of 2014, sales of the Group reached 2,659.4 MEUR, which is a slight increase of 1.9% compared to the previous year's reference period (H1 2013: 2,610.1 MEUR). The business areas' sales development at a glance:

	H1 2014 (MEUR)	H1 2013 (MEUR)	+/- (%)
HYDRO	805.5	850.6	-5.3
PULP & PAPER	869.3	932.2	-6.7
METALS	722.3	549.2	+31.5
SEPARATION	262.4	278.1	-5.6





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

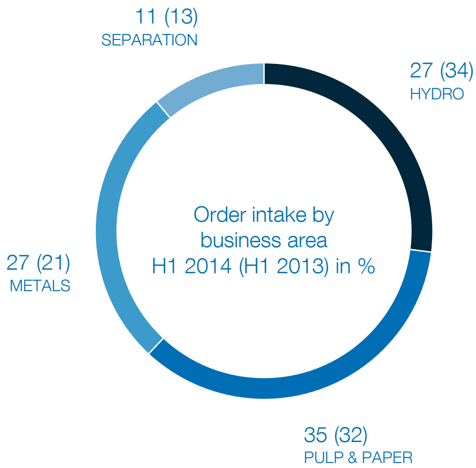
	H1 2014	H1 2013	Q2 2014	Q2 2013
ANDRITZ GROUP	29	29	27	30
HYDRO	24	25	22	26
PULP & PAPER	38	38	37	42
METALS	19	16	16	16
SEPARATION	43	39	43	38

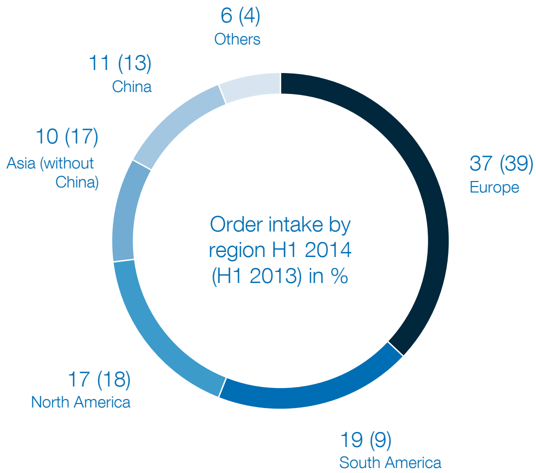
Order intake

In the second quarter of 2014, the order intake of the Group amounted to 1,238.0 MEUR and was thus practically unchanged compared to the level of last year's reference period (Q2 2013: 1,237.7 MEUR), with the Schuler Group contributing 234.8 MEUR (Q2 2013: 235.0 MEUR). The business areas' development in detail:

- HYDRO: At 291.4 MEUR, the order intake was slightly above the previous year's reference figure, however the overall level was low (+4.0% versus Q2 2013: 280.1 MEUR).
- PULP & PAPER: The development in order intake was satisfactory, rising slightly to 402.4 MEUR compared to the last year's reference period (+2.8% versus Q2 2013: 391.5 MEUR).
- METALS: At 377.8 MEUR, the order intake was only slightly below the high level of the previous year (-3.1% versus Q2 2013: 390.0 MEUR); excluding Schuler, the order intake would have declined by 7.7%.
- SEPARATION: The order intake amounted to 166.4 MEUR, thus declining by 5.5% compared to the second quarter of 2013 (176.1 MEUR).

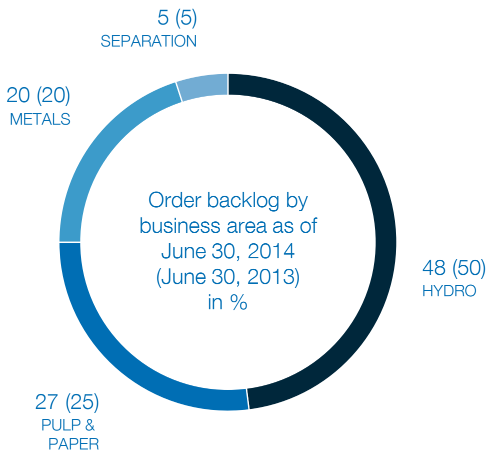
In the first half of 2014, the Group's order intake of 2,980.2 MEUR was well above the previous year's reference figure (+18.0% versus H1 2013: 2,526.0 MEUR). The Schuler Group contributed 554.6 MEUR; excluding Schuler, the order intake of the Group would have increased by 10.5% compared to the first half of 2013.This significant increase is mainly due to the good order intake in the PULP & PAPER and METALS business areas in the first quarter of 2014.

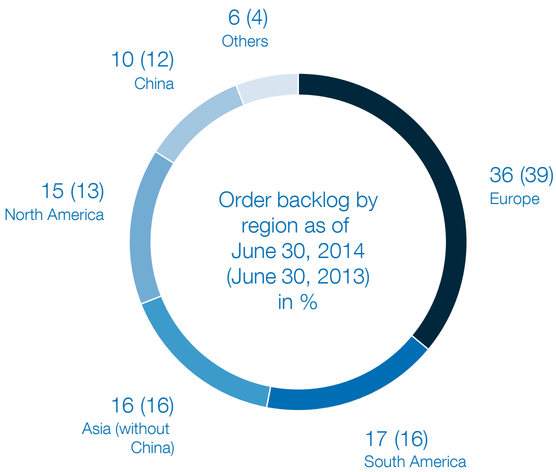




Order backlog

As of June 30, 2014, the order backlog of the ANDRITZ GROUP amounted to 7,555.7 MEUR and thus rose by 2.3% compared to the end of last year (December 31, 2013: 7,388.5 MEUR). Schuler contributed 1,053.7 MEUR to the order backlog.





Earnings

The EBITA of the Group amounted to 84.8 MEUR in the second quarter of 2014 and was thus 2.5% above the reference figure for the previous year (Q2 2013: 82.7 MEUR). The EBITA margin reached 5.9% (Q2 2013: 5.7%). While the EBITA margin in the HYDRO business area remained at a satisfactory level (7.3% in Q2 2014 versus 7.4% in Q2 2013), the margin in the PULP & PAPER business area increased, compared to the low figure for the previous year's reference period, from 4.6 to 5.8%. In the METALS business area, the EBITA margin decreased slightly (6.5% in Q2 2014 versus 6.9%). The SEPARATION business area continues to be impacted by low sales and follow-up costs on equipment delivered in previous years, thus the margin saw a somewhat sharper decline to -0.3% (Q2 2013: 1.3%).

In the first half of 2014, the Group's EBITA amounted to 133.4 MEUR (+37.7% versus H1 2013: 96.9 MEUR) and the EBITA margin to 5.0% (H1 2013: 3.7%). As a result, earnings were considerably above the very low reference figure for the previous year, which was strongly negatively impacted by high provisions booked for a pulp mill project in South America.

The financial result, at -1.7 MEUR, was above the reference figure for the previous year (H1 2013: -3.0 MEUR).

Net income (excluding non-controlling interests) reached 66.7 MEUR and was thus significantly above the very low reference figure for the previous year (H1 2013: 46.9 MEUR).

Net worth position and capital structure

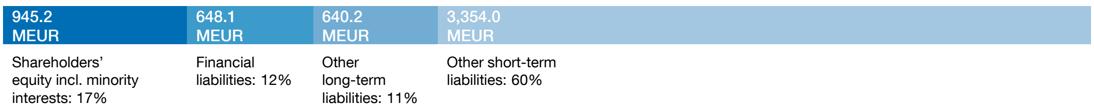
The net worth position and capital structure as of June 30, 2014 remained solid. Total assets amounted to 5,587.5 MEUR (December 31, 2013: 5,571.4 MEUR). The equity ratio reached 16.9% (December 31, 2013: 16.7%).

Liquid funds (cash and cash equivalents plus marketable securities plus loans against borrowers' notes) amounted to 1,497.7 MEUR (December 31, 2013: 1,517.0 MEUR), net liquidity (liquid funds plus fair value of interest rate swaps minus financial liabilities) amounted to 868.8 MEUR (December 31, 2013: 893.1 MEUR).

In addition to the high net liquidity, the ANDRITZ GROUP also has the following credit and surety lines for performance of contracts, down payments, guarantees, and so on, at its disposal:
- Credit lines: 347 MEUR, thereof 114 MEUR utilized
- Surety and guarantee lines: 5,672 MEUR, thereof 2,931 MEUR utilized

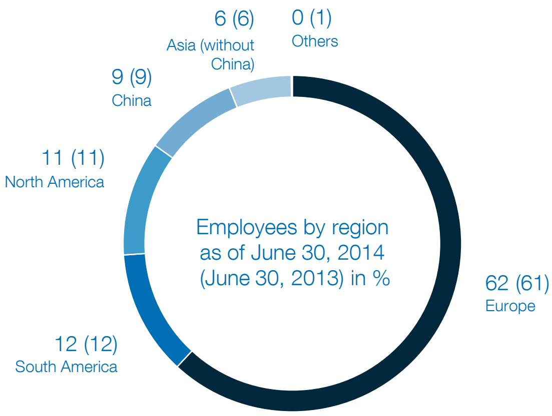
Assets

Shareholders' equity and liabilities



Employees

As of June 30, 2014, the number of ANDRITZ employees amounted to 24,126 (+1.7% versus December 31, 2013: 23,713 employees).



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

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

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

The financial difficulties and the continuing, challenging overall economic development (particularly in Europe and the USA) also constitute a serious risk for the ANDRITZ GROUP's financial development. In addition, a possible greater slowdown in economic activities in the emerging markets also creates a risk for the Group. The weak economy may lead to delays in the execution of existing orders and to the postponement or cancellation of existing projects. Cancellations of existing contracts could adversely affect the ANDRITZ GROUP's order backlog, which in turn would have a negative impact on the utilization of the Group's manufacturing capacities.

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

The Schuler Group acquired in 2013 derives approximately 80% of its sales from the automotive industry, which is generally exposed to severe cyclical swings. Thus, possible negative cyclical fluctuations can have a negative impact on the sales and earnings development of the Schuler Group and thus of the ANDRITZ GROUP. Potential further expenses for continuation of the “Growing Together” growth and strategy program initiated by Schuler in 2011 to integrate the Müller-Weingarten company could possibly have a negative impact on the earnings of Schuler, and thus of the ANDRITZ GROUP, in 2014.

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

ANDRITZ has substantial tax credits in Brazil from various transfer taxes. Some of these tax credits were seized as security by the tax authorities for tax liabilities of the minority shareholder of ANDRITZ's affiliate ANDRITZ HYDRO Inepar. Although the laws of Brazil do not allow access to the company's assets for the liabilities of a minority shareholder, the possibility of payment default on some of the tax receivables in Brazil cannot be excluded.

In the course of its business, the ANDRITZ GROUP is party to numerous legal proceedings before both administrative and judicial courts and bodies, as well as before arbitration tribunals. The substantial majority of such proceedings is of a nature considered typical of the Group's business, including contract and project disputes, product liability claims, and intellectual property litigation. Where appropriate, provisions are made to cover the expected outcome of proceedings to the extent that negative outcomes are likely and reliable estimates can be made. There is no guarantee, however, that these provisions will be sufficient. A negative decision for ANDRITZ in one or several of these legal disputes may have an adverse effect on the earnings and liquidity position of the Group. The product liability cases include a number of cases alleging injuries and/or death resulting from exposure to asbestos.

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

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

The ANDRITZ GROUP's position in terms of liquidity is very good, and the Group has high liquidity reserves. The Group avoids dependence on one single or only a few banks. To ensure independence, no bank will receive more than a certain defined amount of the business in any important product (cash and cash equivalents, financial liabilities, financial assets, guarantees, and derivatives). With this diversification, ANDRITZ is seeking to minimize the counterparty risk as best possible. Nevertheless, if one or more banks were to become insolvent, this would have a considerable negative influence on the earnings development and shareholders' equity of the

ANDRITZ GROUP. In addition, the lowering of ANDRITZ's credit rating by several banks can limit the financial leeway available to ANDRITZ, particularly regarding sureties to be issued.

ANDRITZ pursues a risk-averse investment strategy. Cash is largely invested in low-risk financial assets, such as government bonds, government-guaranteed bonds, investment funds to cover pension obligations, loans against borrowers' notes insured by a certificate of deposit, or term deposits. However, turbulences on the international financial markets may lead to unfavorable price developments for various securities in which the Group has invested or make them non-tradable. This could have an adverse effect on the ANDRITZ GROUP's financial result or shareholders' equity due to necessary depreciation or value adjustments. The crisis has also heightened the risk of default by some issuers of securities, as well as by customers. The Executive Board is informed at regular intervals of the extent and volume of current risk exposure in the ANDRITZ GROUP.

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

Impact of exchange rate fluctuations

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

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

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

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

Important events after June 30, 2014

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

OUTLOOK

For the coming months, leading economic experts expect unchanged, moderate economic development in the most important regions of the world. In view of these conditions, no substantial change is expected in project activity during the remaining months of the 2014 business year compared to the level of 2013 in the markets served by the ANDRITZ GROUP.

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

However, if the global economy suffers again a more severe setback in the coming months, this could have a negative impact on the ANDRITZ GROUP's business development. This may lead to a need for organizational and capacity adjustments, as well as for respective financial provisions needed, which could have a negative effect on earnings.

HYDRO

MARKET DEVELOPMENT

Worldwide project activity for electromechanical equipment in hydropower plants was satisfactory during the second quarter of 2014. In addition to various modernization and rehabilitation projects in Europe and North America, some new hydropower projects in the emerging markets, particularly in South America and Africa, are currently being implemented or in the planning phase. Solid project activity was noted both for small-scale hydropower plants and for pumps.

IMPORTANT EVENTS

The first machine for the Jirau hydropower plant was handed over to Energia Sustentável do Brasil. As part of a consortium, ANDRITZ HYDRO will supply eight bulb turbines (each with a capacity of 76.4 megawatts), seven generators, and 28 excitation systems.

Machines 1 and 2 at the Batalha hydropower plant, Brazil, started commercial operation. A consortium headed by ANDRITZ HYDRO supplied the electromechanical equipment including two Kaplan turbines for this hydropower plant with a total output of 54 megawatts, ordered by Furnas Centrais Elétricas. The Furnas Group is one of the largest utilities in Brazil and supplies electricity to two-thirds of all Brazilian households.

Following extensive modernization work, the Paloona 32-megawatt hydropower plant in Australia resumed operation. Hydro Tasmania selected the business area to modernize and increase the outputs of the Paloona and Meadowbank hydropower plants in 2011. In view of Tasmania’ s mountainous countryside, its rainy climate, and in order to protect the environment, the state utility Hydro Tasmania focuses on clean, renewable energy and operates a total of 27 hydropower plants that are considered worldwide to be ecologically sustainable reference projects.

In the Georgian Republic, which covers some of its increasing energy demand by building small-scale hydropower plants, the two Francis turbines for the Akhmeta small-scale hydropower plant with a total output of nine megawatts were started up successfully.

IMPORTANT ORDERS

ANDRITZ HYDROO will modernize six 140-megawatt Francis turbines on behalf of Iberdrola Generación for the Aldeadávila hydropower plant, Spain. Aldeadávila (1+2) with a total of eight machine units and an overall output of more than 1,200 megawatts is the largest hydropower plant in Spain and has one of the highest outputs in Europe.

Three important contracts were signed in Finland: Fortum Power and Heat ordered modernization of electromechanical equipment at the Lippikosko 1 and 2 and at the Nuojua 3 hydropower plants.

The turbines at the Bjurfors Nedre and Övre hydropower stations will be modernized for the Swedish utility Statkraft Sverige.

As part of a consortium, ANDRITZ HYDRO will replace four existing Pelton units with two new 6-jet Pelton units (total output of 31 megawatts) for the Bramois hydropower plant on behalf of Forces Motrices de la Borgne, Switzerland. At the Göschenen hydropower station also in Switzerland, the electromechanical secondary technology for ten units will be refurbished.

French utility EDF awarded a project to ANDRITZ HYDRO for the rehabilitation of existing turbine governors at the EDF hydropower plants.

Several important modernization contracts were secured in South American countries, including Venezuela (variation order from Corpoelec for the Simon Bolivar II hydropower station) and Colombia (modernization of the Alto Anchicaya hydropower plant and supply of three new Francis turbines each with an output of 16.5 megawatts for the Prado Tolima hydropower plant on behalf of Empresa de Energía del Pacifico).

In the Georgian Republic, ANDRITZ HYDRO will provide the equipment for the Dariali hydropower station: Dariali Energy JSC has ordered delivery and installation of the turbines, generators, and automation systems.

A Kaplan turbine with an output of 23 megawatts will be supplied on behalf of Hydro Tasmania, Australia, for the Cluny hydropower station.

ANDRITZ HYDRO received an order from Liberia Electricity Corp., Liberia, for the Mt. Coffee hydropower plant.

In the small-scale hydropower sector, where ANDRITZ HYDRO leads the world market, the business area booked numerous important orders, particularly in Asia.

PULP & PAPER

MARKET DEVELOPMENT

The international pulp market showed an overall stable development in the second quarter of 2014. In Europe especially, there was continuing high demand from paper producers for long-fiber pulp, thus the price of NBSK (Northern Bleached Softwood Kraft) remained at a high level of around 920 USD per ton, virtually unchanged compared to the first quarter of 2014. The price was also bolstered by the shutdowns for maintenance purposes planned by some pulp mills in the summer.

In contrast, the market for short-fiber pulp was slightly weaker. Due to the start-up of some new pulp mills in Brazil, the market players expect a slight surplus of short-fiber pulp in the coming months, with the result that the price of short-fiber pulp dropped from approximately 770 USD per ton at the beginning of April to around 730 USD per ton at the end of June 2014.

Project activity for pulp mill equipment was good. Demand was particularly high for modernizations and investments to increase the efficiency of existing pulp mills. The competitive environment for suppliers of pulp mill equipment continued to be very demanding due to stiff price competition.

IMPORTANT EVENTS

Montes del Plata, Uruguay, started up its greenfield pulp mill with all major pulp production systems from ANDRITZ. Prior to start-up of the woodyard, fiberline, chemical recovery and pulp drying plants in June, ANDRITZ started up the power boiler and auxiliary boilers to produce steam for the utilities and infrastructure of the mill.

Hebei Yihoucheng Commodity and Shandong Sun Paper Industry, China, started up ANDRITZ tissue machines with steel Yankees. At both mills, the business area also delivered the stock preparation and automation systems.

Mondi Štětí, Czech Republic, put into service its PM7 paper machine with an ANDRITZ headbox, shoe press module, micro-creping unit, shoe calender, rewinder, and new hood for the drying section.

Liansheng Paper (Longhai), China, started up production lines for recycled fiber, kraft fiber, deinking, and paper machine approach. Also in China, Jiangsu Xinyuan Reconstituted Tobacco and C&S Paper Yunfu started up stock preparation and paper machine approach systems.

E.ON started generating electricity from its Blackburn Meadows biomass site in the United Kingdom. The waste wood fired EcoFluid boiler and related systems were supplied by ANDRITZ.

In the panelboard sector, Kastamonu Integrated Wood Industry and Trade, Russia, started up a front end system from ANDRITZ.

IMPORTANT ORDERS

Stora Enso, Finland, selected the business area to rebuild a fiberline, evaporation plant, recausticizing plant, and recycled fiberline at the Varkaus mill. This includes the conversion of the fiberline to produce unbleached pulp, increase in capacity and improvement in efficiency of the evaporation plant, as well as delivery of a lime mud disc filter. In the recovered fiber plant, ANDRITZ will modernize the FibreFlow drum and coarse screening plant.

ANDRITZ received an order from UPM-Kymmene, Finland, for modifications to the Kymi mill's cooking and brownstock washing systems, and will also deliver a new pulp drying plant. Celulose de Cacia, Portugal, selected the business area to rebuild one of its drying machines and retrofit the cutter.

For Mondi, Poland, ANDRITZ was awarded the contract to rebuild a recovery boiler at the Świecie mill into a state-of-the-art biomass boiler.

The PULP & PAPER business area will supply a cooling and heat recovery plant as part of an order from voestalpine Schienen, Austria, for which ANDRITZ METALS will supply a new walking beam furnace.

Jyväskylän Energiantuotanto, Finland, selected ANDRITZ to rebuild its power boiler and add flue gas cleaning equipment to meet emissions reduction requirements.

Weyerhaeuser ordered the retrofit of a recovery boiler at its mill in Flint River, Georgia, USA. As part of this order ANDRITZ will deliver a flue gas cooler that will help the mill recapture and reuse otherwise wasted energy.

SCG Paper, Thailand, ordered a green liquor semi-chemical pulp fiberline from ANDRITZ. The order includes chip washing, chemical chip impregnation and digester feeding, a medium-consistency blowline refiner, brown stock washing with a DD washer, and low-consistency refining to optimize pulp properties.

Stora Enso Packaging, China, ordered a complete wood handling line for a greenfield mechanical pulp plant and board machine. Smurfit Kappa, Sweden, selected a new ANDRITZ debarking drum as part of a woodroom modernization project.

In order to convert a machine from fine paper to food-grade packaging papers production, Sun Paper Industry, China, ordered new ANDRITZ stock preparation and paper machine approach systems. For Dongguan Nine Dragons Paper Industries, China, the business area was awarded the contract to replace an existing pulper for recovered fiber.

Danalakshmi Paper Mills Private, India, selected ANDRITZ to rebuild its deinked pulp line to improve stock quality. The order includes flotation, thickening, screening, and cleaning technologies as well as stock pumps.

There were several orders in the panelboard sector. Pressurized refining systems were ordered by MDF VRG Quang Tri Wood, Vietnam, via IMAL, Italy; by a customer in the Middle East via Shanghai Machinery; and by Shandong Liaocheng Desheng Wood Industry, China.

METALS

MARKET DEVELOPMENT

Global project activity for metalforming equipment for the automotive and automotive supplying industries was good in the second quarter of 2014. In Europe, investment activity remained at a satisfactory level, and in China some important orders were awarded by international car manufacturers and their suppliers.

Project activity for plants and equipment for the production and processing of stainless steel strips made of stainless steel, carbon steel, and non-ferrous metal remained unchanged at a low level during the reporting period. Due to ongoing overcapacities in the international steel/stainless steel industry and the weak demand caused by the general economic environment, only a few orders were placed, mainly in the aluminum industry. Investment activity for industrial furnaces was good.

IMPORTANT EVENTS

Schuler started up a large new drilling machine in Erfurt, Germany, on which large components of up to 120 tons will be bored and milled with 300 milling tools. An identical drilling machine will go into operation next year at Schuler in Dalian, China.

At its Gemmingen location, Germany, Schuler presented the fourth generation of the crossbar robots, which transports up to 15 parts per minute. The maximum output of the previous generation was twelve parts per minute. Crossbar robots are used to move parts from one stage of a press line to the next. If even higher stroke rates are needed, Schuler offers the crossbar feeder.

One of the largest hydraulic plants to be manufactured so far by Schuler was delivered to ZSKB-Progress, Russia. The products manufactured on this triple-action press include filler caps made of aluminum for Soyuz rockets.

Schuler handed over one cutting line each to cut steel and aluminum blanks for subsequent forming to two Chinese automobile manufacturers.

The first automatic stacking plant for finished parts with integrated surface inspection during the process was handed over to a premium car manufacturer in Germany.

A Tryout press with ServoDirekt technology was started up successfully for a premium automobile manufacturer in Germany.

At Bahru Steel, Malaysia, an annealing and pickling line for cold-rolled strip (annual capacity: 160,000 tons) went into operation successfully.

IMPORTANT ORDERS

A customer in Asia ordered the delivery of a press to manufacture lids for beverage cans. The plant will produce more than 3,000 lids per minute.

Schuler is manufacturing and supplying press hardening dies for the first time to the Chinese market: A toolmaker and automotive industry supplier will manufacture 13 hot-formed components with five Schuler series production dies for two car models produced by a German-Chinese manufacturer.

A European car manufacturer ordered three blanking lines with TwinServo technology for production locations in Germany and Mexico. Schuler is also delivering another blanking line to Mexico for a German steel producer.

Various Chinese automobile manufacturers and automotive industry suppliers will take delivery of hydroforming presses to produce tubular shapes, as well as a blanking line, a 2,500-ton transfer press, a press hardening machine, and an 8,000-ton forging press.

A leading Latin American producer of steel tubes in Mexico awarded Schuler an order to supply a spiral-weld tube plant.

The business area will supply a new walking beam furnace with a capacity of 185 tons per hour for the Donawitz plant of voestalpine Schienen, Austria.

ANDRITZ Soutec received an order from ArcelorMittal Tailored Blanks Americas, Canada, to supply two non-linear laser welding plants.

SEPARATION

MARKET DEVELOPMENT

Investment activity for solid/liquid separation equipment saw varied development in the industries served by ANDRITZ during the second quarter of 2014. While investment and project activity in the municipal and industrial waste water treatment sectors as well as in the food and chemical industries was solid, demand from the mining industry continued to be very low.

In the animal feed industry, project activity was good, both for mill expansion projects and greenfield plants, with strong activity in Latin America and Europe. The special feed area (aquatic feed and pet food) also showed good project activity in Asia, Latin America, and the Mediterranean region. In the biomass pelleting sector, project activity remained solid.

IMPORTANT EVENTS

The business area launched a new sludge dewatering machine for waste water treatment plants, industrial effluent treatment plants, and food applications: the ANDRITZ C-Press, a screw press providing high performance, combines compact design and low operating costs. In addition to a long lifecycle, the press also offers easy operation, low maintenance, and – due to bi-sequential cleaning – 30% less water consumption than comparable equipment. The new C-press complies with all European Union regulations on such issues as safety, hygiene, and environmental protection.

IMPORTANT ORDERS

In the municipal waste water treatment segment, the business area received two important orders from customers in the USA. High-performance decanter centrifuges will be delivered to a large city in Texas and a belt drying system to a customer in Missouri.

A paddle dryer will be delivered for a sludge and waste incineration plant in South Korea. The ANDRITZ technology should lead to improved plant operation and reduced energy consumption. Automatic filter presses will be delivered to the waste water treatment plant of a large city in western China.

One of the major potash producers in Russia awarded the business area an order to supply vacuum belt and disc filters. A fluidized bed dryer and auxiliary equipment for a potash application will be supplied to a customer in Jordan. Additional orders were also received for equipment to be used in iron ore, coal, and lithium applications.

An order for the supply of gypsum centrifuges for flue gas desulphurization was received from a customer in China.

ANDRITZ secured orders for decanter centrifuges for a Bisphenol A producer in China and, via a Spanish contractor, for a Polyoxymethylene producer in Saudi Arabia.

A repeat order was received from a Chinese customer for the supply of separators to be used in the tea clarification process. Several orders were placed by customers in Asia and North America for ANDRITZ Gouda drum drying systems to produce modified starch. One of the major food producers in the UK placed an order for the supply of steam peelers for its high-quality vegetable and fruit processing line.

Filter presses for the production of animal feed will be supplied to a customer in North America. A customer in the Brazilian market ordered filter presses for a biodiesel application.

Orders for equipment to be used in petrochemical and polymer applications, including tilting pan filters, paddle dryers, pressure drum filters, and a fluidized bed system, came from customers in Europe, China, Saudi Arabia, and the USA.

In the animal feed sector, a number of orders for new feed process lines were received from Asia and Latin America during the reporting period. Several customers in Europe ordered new machines to replace old machinery and thus to achieve higher performance and efficiency. From the aquatic feed industry, orders were placed for new equipment by customers in Asia and Europe.

Orders for biomass pelleting equipment were secured in Latin America, North America, South East Asia, and Europe. These include another order from a European customer for a large ANDRITZ BioMax mill with an hourly capacity of twelve tons of wood pellets.

Zhanjiang Chenming Pulp & Paper, China, ordered one of the largest biomass belt dryers in the world for its biomass gasification project.

CONSOLIDATED INCOME STATEMENT

For the first half of 2014 (condensed, unaudited)

(in TEUR)	H1 2014	H1 2013	Q2 2014	Q2 2013
Sales	**2,659,430**	**2,610,071**	**1,439,888**	**1,446,283**
Changes in inventories of finished goods and work in progress	60,816	18,506	21,075	-12,407
Capitalized cost of self-constructed assets	1,401	1,619	496	1,170
	2,721,647	**2,630,196**	**1,461,459**	**1,435,046**
Other operating income	44,180	47,582	13,331	20,764
Cost of materials	-1,423,490	-1,446,327	-781,238	-754,463
Personnel expenses	-789,508	-724,407	-399,730	-397,635
Other operating expenses	-377,170	-371,013	-187,681	-199,727
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	**175,659**	**136,031**	**106,141**	**103,985**
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	-81,243	-70,159	-40,694	-41,187
Earnings Before Interest and Taxes (EBIT)	**94,416**	**65,872**	**65,447**	**62,798**
Income/expense from associated companies	-34	31	-10	102
Interest result	-1,721	-3,398	-205	-2,098
Other financial result	37	320	-52	4
Financial result	**-1,718**	**-3,047**	**-267**	**-1,992**
Earnings Before Taxes (EBT)	**92,698**	**62,825**	**65,180**	**60,806**
Income taxes	-27,810	-17,980	-19,563	-17,764
NET INCOME	**64,888**	**44,845**	**45,617**	**43,042**
Thereof attributable to:				
Shareholders of the parent	66,749	46,895	46,092	42,793
Non-controlling interests	-1,861	-2,050	-475	249
Weighted average number of no-par value shares	103,817,497	103,237,134	103,831,864	103,219,425
Earnings per no-par value share (in EUR)	0.64	0.45	0.44	0.41
Effect of potential dilution of share options	320,473	1,154,893	362,432	862,567
Weighted average number of no-par value shares and share options	104,137,970	104,392,027	104,194,296	104,081,992
Diluted earnings per no-par value share (in EUR)	0.64	0.45	0.44	0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the first half of 2014 (condensed, unaudited)

(in TEUR)	H1 2014	H1 2013	Q2 2014	Q2 2013
Net income	**64,888**	**44,845**	**45,617**	**43,042**
Items that may be reclassified subsequently to profit or loss				
Currency translation adjustments, net of tax	3,000	-7,351	6,096	-21,367
Available for sale financial assets, net of tax	-135	-811	-33	-435
Cash flow hedges, net of tax	1,034	-1,423	203	-970
Items that will not be reclassified to profit or loss				
Actuarial gains/losses, net of tax	0	0	0	0
Other comprehensive income for the year	**3,899**	**-9,585**	**6,266**	**-22,772**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**68,787**	**35,260**	**51,883**	**20,270**
Thereof attributable to:				
Shareholders of the parent	70,321	38,847	52,376	23,076
Non-controlling interests	-1,534	-3,587	-492	-2,805

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2014 (condensed, unaudited)

(in TEUR)	June 30, 2014	December 31, 2013
ASSETS		
Intangible assets	269,871	309,458
Goodwill	530,938	530,067
Property, plant, and equipment	673,795	673,479
Other investments	45,227	45,649
Trade accounts receivable	15,935	16,849
Other non-current receivables and assets	69,512	75,338
Deferred tax assets	190,744	200,318
Non-current assets	**1,796,022**	**1,851,158**
Inventories	751,799	673,761
Advance payments made	148,936	152,786
Trade accounts receivable	657,652	620,821
Cost and earnings of projects under construction in excess of billings	466,235	509,534
Other current receivables	359,158	376,368
Marketable securities	114,572	159,107
Cash and cash equivalents	1,293,157	1,227,860
Current assets	**3,791,509**	**3,720,237**
TOTAL ASSETS	**5,587,531**	**5,571,395**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	104,000	104,000
Capital reserves	36,476	36,476
Retained earnings	778,549	759,261
Equity attributable to shareholders of the parent	**919,025**	**899,737**
Non-controlling interests	**26,160**	**29,743**
Total shareholders' equity	**945,185**	**929,480**
Bonds - non-current	366,261	510,658
Bank loans and other financial liabilities - non-current	54,876	44,483
Obligations under finance leases - non-current	14,903	15,324
Provisions - non-current	449,276	438,563
Other liabilities - non-current	51,135	54,374
Deferred tax liabilities	139,744	159,040
Non-current liabilities	**1,076,195**	**1,222,442**
Bonds - current	153,788	0
Bank loans and other financial liabilities - current	57,510	63,004
Obligations under finance leases - current	832	962
Trade accounts payable	408,574	453,219
Billings in excess of cost and earnings of projects under construction	1,176,844	1,081,412
Advance payments received	239,826	269,066
Provisions - current	494,009	555,063
Liabilities for current taxes	32,646	39,622
Other liabilities - current	1,002,122	957,125
Current liabilities	**3,566,151**	**3,419,473**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**5,587,531**	**5,571,395**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the first half of 2014 (condensed, unaudited)

	Attributable to shareholders of the parent								Non-controlling interests	Total shareholders' equity
(in TEUR)	Share capital	Capital reserves	Other retained earnings	IAS 39 reserve	Actuarial gains/ losses	Currency translation adjustments	Treasury shares	Total		
STATUS AS OF JANUARY 1, 2013*	104,000	36,476	925,558	695	-30,886	-7,410	-20,940	1,007,493	26,302	1,033,795
Total comprehensive income for the year			46,895	-2,172		-5,876		38,847	-3,587	35,260
Dividends			-123,738					-123,738	-638	-124,376
Changes from acquisitions			-4,347					-4,347	19,140	14,793
Changes concerning own shares							-6,754	-6,754		-6,754
Other changes			-3,612		-27			-3,639		-3,639
STATUS AS OF JUNE 30, 2013*	104,000	36,476	840,756	-1,477	-30,913	-13,286	-27,694	907,862	41,217	949,079
STATUS AS OF JANUARY 1, 2014	104,000	36,476	838,057	-381	-24,240	-45,718	-8,457	899,737	29,743	929,480
Total comprehensive income for the year			66,749	864		2,708		70,321	-1,534	68,787
Dividends			-51,907					-51,907	-1,224	-53,131
Changes concerning own shares			-772				2,498	1,726		1,726
Other changes			-807	-1	-4	-40		-852	-825	-1,677
STATUS AS OF JUNE 30, 2014	104,000	36,476	851,320	482	-24,244	-43,050	-5,959	919,025	26,160	945,185

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the first half of 2014 (condensed, unaudited)

(in TEUR)	H1 2014	H1 2013
Cash flow from operating activities	49,025	-86,486
Cash flow from investing activities	46,557	45,962
Cash flow from financing activities	-38,688	-369,712
Change in cash and cash equivalents	**56,894**	**-410,236**
Change in cash and cash equivalents resulting from exchange rate fluctuation	8,403	-12,220
Cash and cash equivalents at the beginning of the period	**1,227,860**	**1,492,848**
Cash and cash equivalents at the end of the period	**1,293,157**	**1,070,392**

CASH FLOWS FROM ACQUISITIONS OF SUBSIDIARIES*

For the first half of 2014 (condensed, unaudited)

(in TEUR)	Business area HY[1)]	Total H1 2014	Total H1 2013
Intangible assets	527	527	300,223
Property, plant, and equipment	1,783	1,783	176,543
Inventories	1,106	1,106	166,311
Trade and other receivables	36	36	274,678
Liabilities excluding financial liabilities	0	0	-733,135
Non-interest bearing net assets	**3,452**	**3,452**	**184,620**
Cash and cash equivalents acquired	0	0	333,057
Fixed financial assets	0	0	2,626
Debt assumed	0	0	-109,952
Goodwill	570	570	191,025
Non-controlling interests	0	0	-30,338
Total purchase price	**4,022**	**4,022**	**571,038**
Purchase price paid	-4,022	-4,022	-419,188
Cash and cash equivalents acquired	0	0	333,057
NET CASH FLOW	**-4,022**	**-4,022**	**-86,131**
Liabilities from purchase price not paid	0	0	-3,396
Fair value of investments held prior to acquisition	0	0	-148,454
PURCHASE PRICE NOT PAID IN CASH	**0**	**0**	**-151,850**

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

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

NOTES

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

General

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

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

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

Application of new standards

ANDRITZ applies the following new standards:
- IFRS 10: Consolidated financial statements
- IFRS11: Joint arrangements
- IFRS12: Disclosures of interests in other entities
- IAS 27 (as revised 2011): Separate financial statements
- IAS 28 (as revised 2011): Investments in associates and joint ventures
- IAS 32 (as revised 2011): Offsetting of financial assets and financial liabilities

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

Change in consolidated companies

The scope of consolidated financial statements changed as follows:

	Full consolidation	Equity method
Balance as of January 1, 2014	**146**	**3**
Acquisition of companies	1	0
Changes in consolidation type		
Additions	1	0
Disposals	-3	0
Reorganization	-11	0
Balance as of June 30, 2014	**134**	**3**

Acquisitions

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

Acquired in 2014:

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

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

(in TEUR)	IFRS net book value	Fair value allocations	Fair value
Intangible assets	0	527	527
Property, plant, and equipment	1,783	0	1,783
Inventories	1,106	0	1,106
Trade and other receivables	36	0	36
Liabilities	140	-140	0
Non-interest bearing net assets	**3,065**	**387**	**3,452**
Cash and cash equivalents	0	0	0
Fixed financial assets	0	0	0
Debt assumed	0	0	0
Goodwill	0	570	570
Non- controlling interests	0	0	0
Net assets	**3,065**	**957**	**4,022**

Acquisition of non-controlling interests

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

Seasonality

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

Notes to the interim consolidated income statement

In the first half of 2014, sales of the ANDRITZ GROUP amounted to 2,659.4 MEUR and were thus 1.9% higher than the reference figure for the previous year (H1 2013: 2,610.1 MEUR). The EBIT reached 94.4 MEUR (H1 2013: 65.9 MEUR).

Notes to the consolidated statement of financial position

Total assets of the ANDRITZ GROUP as of June 30, 2014 amounted to 5,587.5 MEUR and were thus 16.1 MEUR higher than the figure as of December 31, 2013 (5,571.4 MEUR). The net working capital as of June 30, 2014 amounted to -511.9 MEUR (December 31, 2013: -539.4 MEUR).

During the current business year, ANDRITZ AG paid dividends in the amount of 51.9 MEUR for the 2013 business year. No shares were bought back, and 68,143 shares were issued to ANDRITZ employees (mainly in connection with the exercise of share option programs) during the first half of 2014.

Notes to the consolidated statement of cash flows

Cash flow from operating activities of the ANDRITZ GROUP amounted to 49.0 MEUR in the first half of 2014 (H1 2013: -86.5 MEUR). This increase was mainly due to project-related changes in the working capital.

Cash flow from investing activities amounted to 46.6 MEUR during the first half of 2014 (H1 2013: 46.0 MEUR).

Cash flow from financing activities amounted to -38.7 in the first half of 2014 (H1 2013: -369.7 MEUR). The strong change resulted mainly from the redemption of a corporate bond in the amount of 200 MEUR in the first half of 2013.

Segment information

Segment information is prepared on the following basis:

Business areas

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

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

Business area data as of June 30, 2014:

(in TEUR)	HY	PP	ME	SE	Total
Sales	805,467	869,256	722,324	262,383	2,659,430
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	71,754	49,755	50,191	3,959	175,659
Capital expenditure	15,278	8,326	8,277	2,596	34,477
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	17,153	16,906	39,127	8,058	81,244
Share of net profit/loss of associates	0	-34	0	0	-34
Shares in associated companies	0	0	0	0	0

Business area data as of June 30, 2013:

(in TEUR)	HY	PP	ME	SE	Total
Sales	850,588	932,140	549,232	278,111	2,610,071
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	76,278	9,981	45,108	4,664	136,031
Capital expenditure	18,730	11,410	10,820	3,413	44,373
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	17,464	16,273	27,333	9,089	70,159
Share of net profit/loss of associates	0	31	0	0	31
Shares in associated companies	0	603	0	0	603

Fair value hierarchy

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

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

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

(in TEUR)	Total as of June 30, 2014	thereof level 1	thereof level 2	thereof level 3
FINANCIAL ASSETS				
At fair value through profit and loss - trading				
Derivatives	16,823	0	16,823	0
Embedded derivatives	11,089	0	11,089	0
Available for sale financial assets				
Investment securities	7,634	7,634	0	0
Marketable securities	114,572	114,572	0	0
Other receivables				
Derivatives (hedge accounting)	20,552		20,552	
	170,670	**122,206**	**48,464**	**0**
FINANCIAL LIABILITIES				
At fair value through profit and loss - trading				
Derivatives	19,405	0	19,405	0
Embedded derivatives	11,762	0	11,762	0
Other liabilities				
Derivatives (hedge accounting)	490	0	490	
	31,657	**0**	**31,657**	**0**

Important events after June 30, 2014

The company is not aware of any material events after the balance sheet date affecting the course of business.

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

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

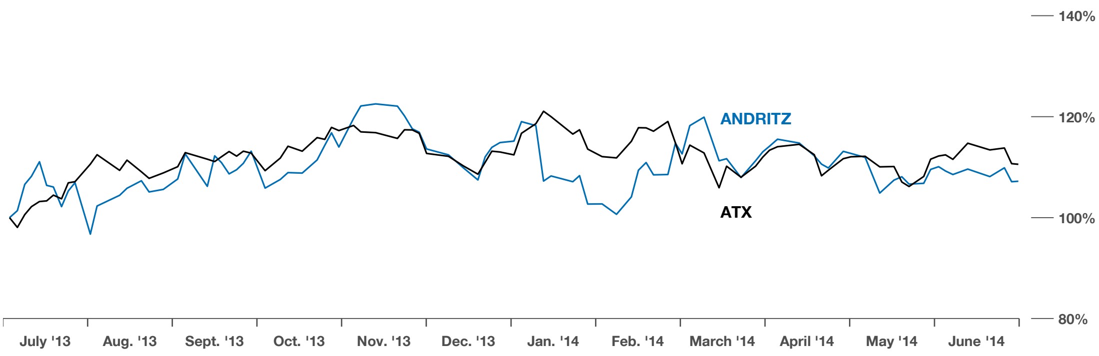
Graz, August 7, 2014

The Executive Board of ANDRITZ AG

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

SHARE

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



Source: Vienna Stock Exchange

Share price development

The development of the international financial markets continued to be influenced by the uncertain general economic environment and resulting high volatility during the first half of 2014. In this financial environment, the ANDRITZ share price declined by 7.6% during the reporting period, while the ATX, the leading share index on the Vienna Stock Exchange, declined by 1.3%.

The highest closing price of the ANDRITZ share in the first half of 2014 was 47.58 EUR (March 7, 2014) and the lowest was 39.95 EUR (February 4, 2014).

Trading volume

The average daily trading volume of the ANDRITZ share (double count, as published by the Vienna Stock Exchange) was 304,174 shares (H1 2013: 324,315 shares). The highest daily trading volume was noted on January 13, 2014 (1,524,312 shares), the lowest trading volume on June 27, 2014 (92,954 shares).

Investor Relations

During the second quarter of 2014, meetings with institutional investors and financial analysts were held in Amsterdam, Berlin, Brussels, Düsseldorf, Frankfurt, London, Paris, Tokyo, Vienna and Zurich.

Key figures of the ANDRITZ share	Unit	H1 2014	H1 2013	Q2 2014	Q2 2013	2013
Highest closing price	*EUR*	47.58	54.94	45.85	52.80	54.94
Lowest closing price	*EUR*	39.95	37.93	41.62	37.93	37.93
Closing price (as of end of period)	*EUR*	42.21	39.43	42.21	39.43	45.59
Market capitalization (as of end of period)	*MEUR*	4,389.3	4,100.2	4,389.3	4,100.2	4,741.4
Performance	*%*	-7.6	-21.6	-6.8	-25.3	-9.4
ATX weighting (as of end of period)	*%*	8.1410	9.3035	8.1410	9.3035	9.5082
Average daily number of shares traded	*Share unit*	304,174	324,315	214,229	432,487	316,787

Source: Vienna Stock Exchange

Basic data of the ANDRITZ share	
ISIN code	AT0000730007
First listing day	June 25, 2001
Types of shares	no-par value shares, bearer shares
Total number of shares	104 million
Authorized capital	None
Free float	About 70%
Stock exchange	Vienna (Prime Market)
Ticker symbols	Reuters: ANDR.VI; Bloomberg: ANDR, AV
Stock exchange indices	ATX, ATX Global Players, ATXPrime, WBI

Financial calendar 2014 and 2015 (preliminary)

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

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

Contact and publisher's note

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