INTERIM FINAN CIAL REPORT

FIRST HALF 2018

ANDRITZ

ENGINEERED SUCCESS

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KEY FINANCIAL FIGURES OF THE ANDRITZ GROUP

	Unit	H1 2018	H1 2017	+/-	Q2 2018	Q2 2017	+/-	2017
Order intake	MEUR	3,269.3	2,771.3	+18.0%	1,736.5	1,211.3	+43.4%	5,579.5
Order backlog (as of end of period)	MEUR	6,841.1	6,849.1	-0.1%	6,841.1	6,849.1	-0.1%	6,383.0
Sales	MEUR	2,763.1	2,779.0	-0.6%	1,472.1	1,392.8	+5.7%	5,889.1
Return on sales	%	5.5	6.7	-	6.0	7.1	-	6.8
EBITDA	MEUR	211.7	253.5	-16.5%	117.9	132.8	-11.2%	541.7
EBITA[1)]	MEUR	166.3	207.3	-19.8%	94.6	109.9	-13.9%	444.0
Earnings Before Interest and Taxes (EBIT)	MEUR	152.9	185.4	-17.5%	88.5	98.5	-10.2%	399.3
Earnings Before Taxes (EBT)	MEUR	142.9	188.9	-24.4%	79.9	98.6	-19.0%	400.6
Net income (including non-controlling interests)	MEUR	99.9	131.8	-24.2%	55.9	68.7	-18.6%	265.6
Net income (without non-controlling interests)	MEUR	100.6	130.8	-23.1%	56.6	67.8	-16.5%	263.0
Cash flow from operating activities	MEUR	-101.2	81.5	-224.2%	-77.8	-66.2	-17.5%	246.5
Capital expenditure	MEUR	47.2	55.9	-15.6%	24.7	26.9	-8.2%	116.8
Employees (as of end of period; without apprentices)	-	26,023	25,390	+2.5%	26,023	25,390	+2.5%	25,566
Non-current assets	MEUR	1,788.2	1,903.9	-6.1%	1,788.2	1,903.9	-6.1%	1,860.8
Current assets	MEUR	4,240.8	4,430.2	-4.3%	4,240.8	4,430.2	-4.3%	4,404.5
Total shareholders' equity	MEUR	1,233.8	1,277.3	-3.4%	1,233.8	1,277.3	-3.4%	1,325.4
Non-current liabilities	MEUR	1,471.9	1,665.5	-11.6%	1,471.9	1,665.5	-11.6%	1,565.7
Current liabilities	MEUR	3,323.3	3,391.3	-2.0%	3,323.3	3,391.3	-2.0%	3,374.2
Total assets	MEUR	6,029.0	6,334.1	-4.8%	6,029.0	6,334.1	-4.8%	6,265.3
Equity ratio	%	20.5	20.2	-	20.5	20.2	-	21.2
Liquid funds	MEUR	1,450.5	1,758.6	-17.5%	1,450.5	1,758.6	-17.5%	1,772.3
Net liquidity	MEUR	568.7	817.6	-30.4%	568.7	817.6	-30.4%	908.0
Net debt	MEUR	-192.5	-427.2	+54.9%	-192.5	-427.2	+54.9%	-530.6
Net working capital	MEUR	90.3	-121.4	+174.4%	90.3	-121.4	+174.4%	-121.0
Capital employed	MEUR	1,008.8	838.0	+20.4%	1,008.8	838.0	+20.4%	801.9
Gearing	%	-15.6	-33.4	+53.3%	-15.6	-33.4	+53.3%	-40.0
EBITDA margin	%	7.7	9.1	-	8.0	9.5	-	9.2
EBITA margin	%	6.0	7.5	-	6.4	7.9	-	7.5
EBIT margin	%	5.5	6.7	-	6.0	7.1	-	6.8
Net income/sales	%	3.6	4.7	-	3.8	4.9	-	4.5
Depreciation and amortization/sales	%	2.1	2.5	-	2.0	2.5	-	2.3

1) Amortization of identifiable assets acquired in a business combination and recognized separately from goodwill amounts to 13,392 TEUR (H1 2017: 21,872 TEUR; 2017: 38,301 TEUR); impairment of goodwill amounts to 0 TEUR (H1 2017: 0 TEUR; 2017: 6,428 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.

KEY FINANCIAL FIGURES OF THE BUSINESS AREAS

HYDRO

	Unit	H1 2018	H1 2017	+/-	Q2 2018	Q2 2017	+/-	2017
Order intake	MEUR	753.1	514.0	+46.5%	318.3	204.5	+55.6%	1,317.2
Order backlog (as of end of period)	MEUR	2,789.1	3,089.5	-9.7%	2,789.1	3,089.5	-9.7%	2,921.8
Sales	MEUR	724.3	724.6	-0.0%	374.6	368.7	+1.6%	1,583.1
EBITDA	MEUR	57.1	57.2	-0.2%	29.3	28.1	+4.3%	154.1
EBITDA margin	%	7.9	7.9	-	7.8	7.6	-	9.7
EBITA	MEUR	43.4	43.2	+0.5%	22.2	21.1	+5.2%	123.0
EBITA margin	%	6.0	6.0	-	5.9	5.7	-	7.8
Employees (as of end of period; without apprentices)	-	7,233	7,215	+0.2%	7,233	7,215	+0.2%	7,237

PULP & PAPER

	Unit	H1 2018	H1 2017	+/-	Q2 2018	Q2 2017	+/-	2017
Order intake	MEUR	1,180.9	1,124.9	+5.0%	723.4	471.6	+53.4%	2,033.4
Order backlog (as of end of period)	MEUR	2,098.9	1,971.5	+6.5%	2,098.9	1,971.5	+6.5%	1,787.0
Sales	MEUR	1,009.5	990.9	+1.9%	550.5	482.2	+14.2%	2,059.7
EBITDA	MEUR	106.1	97.4	+8.9%	65.2	44.8	+45.5%	221.5
EBITDA margin	%	10.5	9.8	-	11.8	9.3	-	10.8
EBITA	MEUR	92.9	84.7	+9.7%	58.4	38.4	+52.1%	194.9
EBITA margin	%	9.2	8.5	-	10.6	8.0	-	9.5
Employees (as of end of period; without apprentices)	-	8,242	7,926	+4.0%	8,242	7,926	+4.0%	8,002

METALS

	Unit	H1 2018	H1 2017	+/-	Q2 2018	Q2 2017	+/-	2017
Order intake	MEUR	946.7	814.2	+16.3%	478.9	371.5	+28.9%	1,606.5
Order backlog (as of end of period)	MEUR	1,493.9	1,389.3	+7.5%	1,493.9	1,389.3	+7.5%	1,309.7
Sales	MEUR	742.4	792.3	-6.3%	394.9	394.8	+0.0%	1,643.5
EBITDA	MEUR	32.1	82.4	-61.0%	15.3	51.4	-70.2%	129.7
EBITDA margin	%	4.3	10.4	-	3.9	13.0	-	7.9
EBITA	MEUR	17.7	67.3	-73.7%	7.9	44.1	-82.1%	98.6
EBITA margin	%	2.4	8.5	-	2.0	11.2	-	6.0
Employees (as of end of period; without apprentices)	-	7,690	7,454	+3.2%	7,690	7,454	+3.2%	7,573

SEPARATION

	Unit	H1 2018	H1 2017	+/-	Q2 2018	Q2 2017	+/-	2017
Order intake	MEUR	388.6	318.2	+22.1%	215.9	163.7	+31.9%	622.4
Order backlog (as of end of period)	MEUR	459.2	398.8	+15.1%	459.2	398.8	+15.1%	364.5
Sales	MEUR	286.9	271.2	+5.8%	152.1	147.1	+3.4%	602.8
EBITDA	MEUR	16.4	16.5	-0.6%	8.1	8.5	-4.7%	36.4
EBITDA margin	%	5.7	6.1	-	5.3	5.8	-	6.0
EBITA	MEUR	12.3	12.1	+1.7%	6.1	6.3	-3.2%	27.5
EBITA margin	%	4.3	4.5	-	4.0	4.3	-	4.6
Employees (as of end of period; without apprentices)	-	2,858	2,795	+2.3%	2,858	2,795	+2.3%	2,754

MANAGEMENT REPORT

GENERAL ECONOMIC CONDITIONS

The economic upswing in the world's main economic regions continued during the reporting period.

In the USA, economic growth continued unchanged during the reporting period. The labor market continued its positive upward trend and unemployment decreased slightly to around 4.0%. The US Federal Reserve (FED) raised the key interest rate in mid-June – as expected by market experts – for the second time this year by 0.25 percentage points to a range between 1.75 and 2.00%. In addition, it signaled two further interest rate increases for 2018. With this action, the FED reacted to the lasting economic upswing, which was also supported by President Donald Trump's new US tax reform. The Trump administration has now imposed investment restrictions and import duties, particularly on steel and aluminum, against Canada and Mexico, as well as China.

The economy in the euro zone also recorded a sustained upswing during the reporting period. An important economic driver continues to be the highly expansive monetary policy of the European Central Bank (ECB), which aims to promote economic growth in the euro-zone countries and increase inflation at the same time. The ECB left the key interest rate at its record low of 0.0% in mid-June, but mentioned the possibility of ending its multi-billion bond-purchase program by the end of the year. As from October, the volume of monthly bond purchases will be reduced from the current level of 30 billion to 15 billion euros. As a reaction to the import duties imposed by the United States on steel and aluminum at the beginning of June, the European Union retaliated with import duties on some US products.

Growth in the main emerging economies saw a slight upward trend during the reporting period. The Brazilian economy has grown moderately since last year. Both industrial production and the investment program launched by the Brazilian government have made a substantial contribution towards improving the economic situation. In addition, the Brazilian industry was able to recover thanks to the drop in inflation and the reduced interest rate level. Russia's economy is also gaining a little momentum again, especially as a result of the increasing oil price.

China's economy has been less dynamic since the beginning of the year. The trade conflict between China and the USA put additional pressure on the economy. Both industrial production and investment growth in infrastructure investments have slowed down. Furthermore, companies' increasing debts place a burden on economic growth. The Chinese government expects GDP growth of approximately 6.7% for 2018.

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 second quarter of 2018. Due to the unchanged, difficult market conditions caused by low electricity prices, particularly in Europe, individual projects were only awarded selectively during the reporting period. In the emerging markets, particularly in Asia, Africa, and South America, some new hydropower projects are in the planning phase. Good project activity was noted for pumps.

Pulp & Paper

The international pulp market continued its positive development in the second quarter of 2018. 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 slightly from around 1,030 USD per ton at the end of March 2018 to approximately 1,050 USD per ton as of the end of June 2018. The price of NBSK (Northern Bleached Softwood Kraft Pulp) long-fiber pulp also increased from around 1,090 USD per ton at the end of March 2018 to approximately 1,200 USD per ton at the end of June 2018.

Market consolidation in the pulping industry also continued during the reporting period. After the world's two largest producers of hardwood pulp – Fibria Celulose S.A. and Suzano Papel el Celulose, both from Brazil – announced a merger in mid-March 2018, Asia Pacific Resources International Holdings (APRIL), Singapore, announced in mid-May 2018 that it is in exclusive negotiations to purchase the Brazilian pulp producer Lwarcel Celulose.

Overall, the market for pulping equipment showed good project activity, particularly for modernization of existing pulp mills. No orders were awarded for greenfield pulp mills during the reporting period, however individual projects are expected to be awarded in the coming quarters. Good project and investment activity was noted for power generating boilers, particularly in Asia (China, Japan).

Metals

In the Metal Forming sector for the automotive and automotive supplying industry (Schuler), the second quarter of 2018 also showed satisfactory project and investment activity. Some important orders were awarded by international and Chinese car manufacturers and their suppliers. Project and investment activity in the market segment served by Yadon in the Chinese automotive supplying industry continued to see favorable development.

Project and investment activity for equipment for the production and processing of stainless steel and carbon steel strip continued to be solid during the second quarter of 2018. The demand for stainless and carbon steel supported by the overall good global economic environment and the related high capacity utilization at international steel producing companies led to numerous new or modernization investments, particularly in Asia, Europe, and North America. The intensity of competition on the equipment market remained challenging despite the good market environment.

Separation

The global markets for solid/liquid separation equipment continued their positive trend during the reporting period. In particular, the mining (especially the lithium market), environmental (sewage sludge drying) and chemical (petrochemicals and polymers as well as fertilizers and agrochemicals) sectors showed unchanged good project activity. Investment activity in the food industry slightly improved from a low level.

BUSINESS DEVELOPMENT

Sales

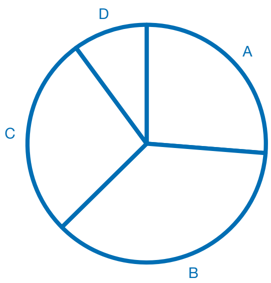
Sales of the ANDRITZ GROUP amounted to 1,472.1 MEUR in the second quarter of 2018 and were thus 5.7% higher than the reference figure for the previous year (Q2 2017: 1,392.8 MEUR). This increase is primarily attributable to the Pulp & Paper business area, where sales increased significantly by 14.2% as a result of the strong service business. The Separation business area was also able to increase its sales slightly (+3.4%) compared to the previous year's reference period. Sales in the Hydro (+1.6%) and Metals (0.0%) business areas remained practically unchanged compared to the previous year.

The increase in sales in the second quarter was almost able to compensate entirely for the decline in sales in the first quarter, with the result that Group sales in the first half of 2018, at 2,763.1 MEUR practically reached the level of the previous year's reference period (-0.6% versus H1 2017: 2,779.0 MEUR). The business areas' sales development at a glance:

	Unit	H1 2018	H1 2017	+/-
Hydro	MEUR	724.3	724.6	-0.0%
Pulp & Paper	MEUR	1,009.5	990.9	+1.9%
Metals	MEUR	742.4	792.3	-6.3%
Separation	MEUR	286.9	271.2	+5.8%

Sales by business area
H1 2018 in %

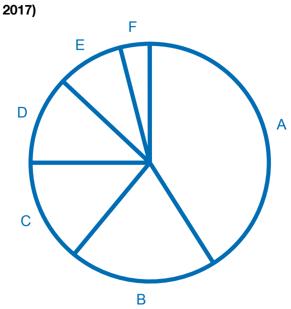
(H1 2017)



A	**26**	(26)	Hydro
B	**37**	(35)	Pulp & Paper
C	**27**	(29)	Metals
D	**10**	(10)	Separation

Sales by region
H1 2018 in %

(H1 2017)



A	**41**	(38)	Europe
B	**20**	(21)	North America
C	**14**	(15)	China
D	**12**	(12)	Asia (without China)
E	**9**	(10)	South America
F	**4**	(4)	Africa, Australia

Share of service sales for the Group and by business area in %

	H1 2018	H1 2017	Q2 2018	Q2 2017
ANDRITZ GROUP	34	34	35	35
Hydro	27	28	28	28
Pulp & Paper	45	43	46	45
Metals	22	23	22	23
Separation	48	50	47	47

Order intake

The order intake of the Group developed very favorably in the second quarter of 2018 and, at 1,736.5 MEUR, was 43.4% higher than the low reference figure for the previous year (Q2 2017: 1,211.3 MEUR). Thus, the positive trend in order intake over the past few quarters has continued (Q3 2017: 1,341.2 MEUR, Q4 2017: 1,467.0 MEUR, Q1 2018: 1,532.8 MEUR). The business areas' development in detail:

- Hydro: In a continuing difficult market environment – marked by low electricity and energy prices mainly in Europe –, the order intake, at 318.3 MEUR, developed solidly and was significantly higher than the very low reference figure for the previous year (+55.6% versus Q2 2017: 204.5 MEUR).

- Pulp & Paper: At 723.4 MEUR, the order intake reached a very high level and increased significantly compared to the previous year's reference period (+53.4% versus Q2 2017: 471.6 MEUR). This strong increase is due to, among others, several medium-sized orders for power generating boilers in China, Japan, and South Africa. The service sector also developed very favorably.

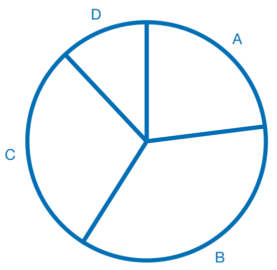
- Metals: Order intake amounted to 478.9 MEUR and was thus 28.9% higher than the previous year's reference figure (Q2 2017: 371.5 MEUR). Both the Metal Forming sector for the automotive and automotive supplying industries (Schuler) and the Metals Processing sector succeeded in increasing their order intake significantly compared to the reference quarter of the previous year.

- Separation: At 215.9 MEUR, order intake developed very favorably (+31.9% versus Q2 2017: 163.7 MEUR). This strong increase is primarily due to a large order in China in the solid/liquid separation sector during the reporting period.

In the first half of 2018, the Group's order intake at 3,269.3 MEUR was significantly higher than the level of the previous year's reference period (+18.0% versus H1 2017: 2,771.3 MEUR). All four business areas were able to increase their order intake compared to the previous year – with significant increases in some cases. The business areas' order intake development at a glance:

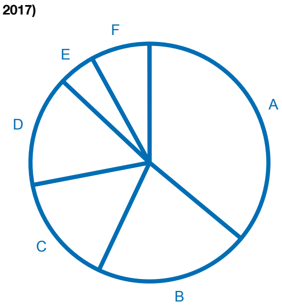
	Unit	H1 2018	H1 2017	+/-
Hydro	MEUR	748.6	514.0	+45.6%
Pulp & Paper	MEUR	1,178.4	1,124.9	+4.8%
Metals	MEUR	946.8	814.2	+16.3%
Separation	MEUR	388.1	318.2	+22.0%

Order intake by business area
H1 2018 in %
(H1 2017)



A	23	(19)	Hydro
B	36	(41)	Pulp & Paper
C	29	(29)	Metals
D	12	(11)	Separation

Order intake by region
H1 2018 in %
(H1 2017)

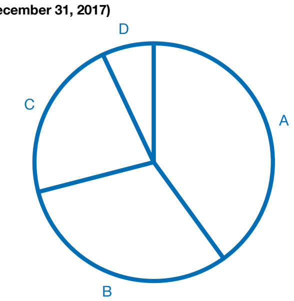


A	36	(42)	Europe
B	21	(15)	China
C	15	(10)	Asia (without China)
D	15	(23)	North America
E	5	(6)	South America
F	8	(4)	Africa, Australia

Order backlog

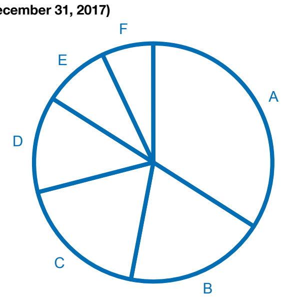
As of June 30, 2018, the order backlog of the ANDRITZ GROUP amounted to 6,841.1 MEUR (+7.2% versus December 31, 2017: 6,383.0 MEUR).

Order backlog by business area
as of June 30, 2018 in %
(December 31, 2017)



A	40	(45)	Hydro
B	31	(28)	Pulp & Paper
C	22	(21)	Metals
D	7	(6)	Separation

Order backlog by region
as of June 30, 2018 in %
(December 31, 2017)



A	34	(37)	Europe
B	19	(19)	Asia (without China)
C	18	(15)	China
D	13	(16)	North America
E	9	(8)	South America
F	7	(5)	Africa, Australia

Earnings

In the second quarter of 2018, the Group's EBITA amounted to 94.6 MEUR and was thus well below the figure of the previous year's reference period (-13.9% versus Q2 2017: 109.9 MEUR), which included a positive extraordinary effect of approximately 25 MEUR (mainly attributable to the sale of the Schuler Technical Center in

Tianjin, China). However, compared to the EBITA adjusted for this extraordinary effect, the EBITA in the second quarter of 2018 would have increased by 9.4% compared to the previous year, thus more than the increase in sales. This is mainly due to the Pulp & Paper business area, where earnings and profitability increased compared to the previous year. Profiftability (EBITA margin) amounted to 6.4% (Q2 2017: 7.9% or 6.2% adjusted for the extraordinary effect).

Development by business area:

- The EBITA margin in the Hydro business area amounted to 5.9% and was thus slightly higher than the level of the previous year's reference period (Q2 2017: 5.7%).
- In the Pulp & Paper business area, profitability reached a very high level at 10.6% (Q2 2017: 8.0%) with very positive development in both the capital and service business.
- At 2.0%, the EBITA margin in the Metals business area continued to be unsatisfactory and was below the margin for the previous year's reference period adjusted for the extraordinary effect mentioned above (4.8%). This is largely due to cost overruns on some projects.
- In the Separation business area, the EBITA margin amounted to 4.0% (Q2 2017: 4.3%).

In the first half of 2018, the Group's EBITA amounted to 166.3 MEUR and was thus significantly below the previous year's reference figure (-19.8% versus H1 2017: 207.3 MEUR), but also below the adjusted EBITA of the previous year's reference figure (182.3 MEUR). This is due to the substantial decline in earnings in the first quarter of 2018, which was impacted by a decrease in sales and by cost overruns in the Metals business area. Profitability fell to 6.0% (H1 2017: 7.5% or 6.6% adjusted for the extraordinary effect).

The financial result decreased significantly to -10.0 MEUR (H1 2017: 3.5 MEUR). On the one hand, this substantial decline is due to the lower interest result as a consequence of lower average net liquidity, considerably lower interest rates in Brazil on an annual comparison as well as interest expense for the Schuldscheindarlehen issued in June 2017. On the other hand, the other financial result was impacted by an impairment of the stake in an associated company.

Net income (including non-controlling interests) decreased to 99.9 MEUR (-24.2% versus H1 2017: 131.8 MEUR), of which 100.6 MEUR (H1 2017: 130.8 MEUR) are attributable to the shareholders of the parent company and -0.7 MEUR (H1 2017: 1.0 MEUR) to non-controlling interests.

Net worth position and capital structure

The net worth position and capital structure as of June 30, 2018 remained solid. Total assets decreased to 6,029.0 MEUR (December 31, 2017: 6,265.3 MEUR). The equity ratio reached 20.5% (December 31, 2017: 21.2%).

Liquid funds amounted to 1,450.5 MEUR (December 31, 2017: 1,772.3 MEUR), net liquidity declined to 568.7 MEUR (December 31, 2017: 908.0 MEUR). The decrease in net liquidity mainly resulted from the dividend payment as of end of March 2018, lower customer advances as well as cash outflows due to cost overruns on some projects.

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: 164 MEUR, thereof 123 MEUR utilized
- Surety lines: 5,903 MEUR, thereof 2,574 MEUR utilized

Assets

A	Long-term assets: 30%	1,788.2 MEUR
B	Short-term assets: 48%	2,905.3 MEUR
C	Cash and cash equivalents and investments: 22%	1,335.5 MEUR

Shareholders' equity and liabilities

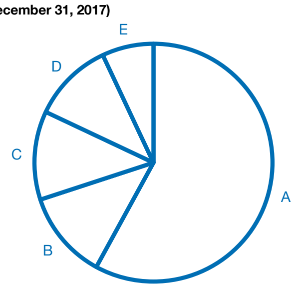
A	Shareholders' equity incl. non-controlling interests: 20%	1,233.8 MEUR
B	Financial liabilities: 15%	888.4 MEUR
C	Other long-term liabilities: 12%	686.9 MEUR
D	Other short-term liabilities: 53%	3,219.9 MEUR

Employees

As of June 30, 2018, the number of ANDRITZ GROUP employees amounted to 26,023 (December 31, 2017: 25,566 employees).

Employees by region as of June 30, 2018 in %

(December 31, 2017)



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

Major risks during the remaining months of the financial year

General risks

ANDRITZ is a globally-operating company serving a large variety of industrial markets and customers. As such, the Group is subject to certain general and industry-specific 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.

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 implement countermeasures promptly. This system is an important element of active corporate management. However, there is no guarantee that these monitoring and control systems are effective enough.

A detailed description of the strategic and operational risks and information on the internal control and risk management system are available in the ANDRITZ annual financial report 2017.

Current risks

The trade sanctions imposed by the USA on China, Mexico, and Canada (25% import duties on steel and 10% on aluminum) could provoke an extensive trade dispute. China has already implemented countermeasures in the form of punitive tariffs on US products. Mexico and Canada have also announced immediate retaliatory measures. Any further escalation of the trade sanctions could have a negative effect on the global economy and thus also on business development of ANDRITZ.

The medium- to long-term effects that the American trade policy will have on the global economy cannot be estimated at this point in time. 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. However, if other regulatory measures are implemented that have negative consequences for non-American companies, the effects on ANDRITZ may well be substantial.

The long-term economic impact of the United Kingdom (UK) leaving the European Union cannot be estimated yet. However, its influence is expected to be low. If economic growth in Europe dropped significantly as a result, this could have a negative impact on the business development of the ANDRITZ GROUP because Europe is its most important economic region, accounting for an average of 35-40% of its total sales. However, the ANDRITZ GROUP's direct business volume in the UK can be classified as very small.

ANDRITZ signed a contract to acquire Xerium Technologies, Inc., USA, on June 25, 2018. The agreement, which has been unanimously approved by Xerium's Board of Directors, is subject to the approval of Xerium's shareholders and the satisfaction of customary closing conditions, including applicable regulatory approvals. If this acquisition is not approved with a majority at Xerium's Annual General Meeting or does not receive the applicable regulatory approvals, it will not be possible to execute it.

Impact of exchange rate fluctuations

Fluctuations in exchange rates in connection with execution of the order backlog are largely hedged by forward exchange contracts and swaps. Net currency exposure of orders in foreign currencies is hedged by forward contracts. Exchange rate risks resulting from the recognition of equity are not hedged.

Changes in the exchange rate of the euro against many other currencies could 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).

OUTLOOK

For the world's main economic regions, economic experts expect unchanged positive economic development for the remaining months of 2018.

The prospects for the ANDRITZ business areas remain largely unchanged compared to the previous quarter. 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 phase, especially in Southeast Asia and Africa; selective award of individual large-scale projects is likely. In the Pulp & Paper business area, unchanged good project and investment activity is expected. Some new greenfield pulp mill projects are currently in the evaluation phase, and individual projects are likely to be awarded in the next few months according to announcements by some international pulp producers. Solid project and investment activity is anticipated in the Metals business area – both in the Metal Forming (Schuler) and Metals Processing (plants for production and finishing of steel strip) sectors. A continuation of the positive market development is also expected in the Separation business area.

The ANDRITZ GROUP expects unchanged stable development of sales in the 2018 business year compared to the previous year. Profitability (EBITA margin) should also reach roughly the level of the previous year, taking account of the positive extraordinary effects recorded last business year.

In the Metal Forming sector, the need to make further capacity adjustments to adapt the cost basis to the unchanged, challenging competitive and market environment is currently under review. As a result, any one-off expenses would have a negative impact on the development of earnings and profitability in 2018.

However, if – contrary to general expectations – the global economy suffered setbacks in the next few months, 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.

HYDRO

IMPORTANT ORDERS

Customer	Country	Scope of supply
Pac Ma Hydropower Joint-Stock Company	Vietnam	Supply, installation, and commissioning of the electromechanical equipment for Pac Ma hydropower plant. The scope of supply includes the entire electromechanical equipment including four bulb turbines, mechanical components, 110-kV switchgear as well as automation equipment for the entire power plant.
Eidsiva Vannkraft AS	Norway	Delivery of the entire equipment for the Tolga small-scale hydropower plant, including installation and commissioning.
Chaleun Sekong Energy Co. Ltd.	Lao People's Democratic Republic	Delivery, installation, and commissioning of three Francis units (18 MW each) for the Nam Kong 3 small-scale hydropower plant. The scope of supply comprises shut-off valves, generators, as well as auxiliary electrical equipment. The electrical energy generated in future will be fed into the grid operated by the local, state-owned utility company Électricité du Laos (EDL).
Limak İnşaat ve Ticaret A.Ş.	Turkey	Supply and installation of bifurcations, gates, and dam gates for the Yusufeli hydropower station as an addition to the existing order for the penstocks.
NB Power	Canada	Supply of new runners for units #1 and #2 at Tobique hydropower plant.
Duke Energy Corporation	USA	Modernization and upgrade of four 466 MVA-generators at Bad Creek hydropower station.
EGAT	Thailand	Supply of a new 122 MVA-generator for unit #7 at Bhumipol hydropower plant.
Vattenfall Vattenkraft AG	Sweden	Refurbishment of a Francis runner for unit #3 at Letsi hydropower station.
Council for Development	Lebanon	Generator repairs at unit #2, including new exciters, for Markabi hydropower plant.
Hebei Construction Group Co.	Uzbekistan	Refurbishment and modernization of two pump stations in the Amu Bukahar irrigation system. The scope of supply includes ten customized, vertical volute pumps and six vertical line shaft pumps.

PULP & PAPER

IMPORTANT EVENTS

ANDRITZ has signed a merger agreement to acquire Xerium Technologies, Inc., headquartered in Youngsville, North Carolina, USA. Xerium is a global manufacturer and supplier of machine clothing (forming fabrics, press felts, drying fabrics) and roll covers for paper, tissue, and board machines, including maintenance and aftermarket services. With its Smart® technology, the company provides a sophisticated digital software tool to optimize pressing performance by means of sensors integrated into the roll covers. Xerium has around 2,850°employees and operates in more than 28 production facilities worldwide.

ANDRITZ has signed a contract for the acquisition of Novimpianti Drying Technology S.r.l., a company owned by Novigroup S.r.l. and based in Lucca, Italy. Novimpianti has approximately 40 employees and is a global supplier of engineered equipment and services for air and energy systems to the paper industry's leading manufacturers.

In July 2018, ANDRITZ has acquired a 70% stake in Diatec S.r.l., a leading manufacturer of machines for the production of baby diapers and hygiene products based in Collecorvino in the region of Pescara, Italy.

For one of the world's largest wastewater treatment plants in Bailonggang, Shanghai, the business area will supply six EcoFluid bubbling fluidized bed boiler lines including the entire flue gas cleaning, as well as full plant automation. The scope of supply further comprises engineering, manufacturing, delivery, and supervision of both installation and commissioning.

Sun Paper successfully started up its new pulp mill located in the city of Xepon, Lao People's Democratic Republic. The ANDRITZ scope of supply encompassed main process equipment for the woodyard, including an HHQ-Chipper, chip screening, and bark processing, the equipment for fiber treatment in the medium-consistency (MC) range, screening equipment and an ozone bleaching stage, a complete pulp drying line and bale finishing system, a HERB recovery boiler (HERB: High Energy Recovery Boiler), a LimeWhite white liquor filter for the recausticizing plant, and a methanol liquefaction system. The HERB recovery boiler is the largest recovery boiler installed in the Lao People's Democratic Republic.

The conversion and rebuild of Burgo Avezzano's printing and writing paper machine into a modern paper machine for brown grade packaging paper was successfully completed. The new paper machine has a production capacity of 210,000 tons per year, at a paper width at reel of 5,320 mm and a design speed of 1,200 meters per minute. The project additionally included a new OCC-line (OCC: Old Corrugated Container) for recycled fibers and a new approach flow system, as well as start-up and commissioning services.

SCA has started up new production technologies and equipment for the extension of Östrand pulp mill in Timrå, Sweden. ANDRITZ's scope of supply included new woodyard equipment with debarking drums and HHQ-Chippers; a new pulp drying line, cutter, and two baling lines; a major upgrade of the white liquor plant with new recausticizing machinery and a capacity increase of the existing lime kiln; significant extension upgrade of the existing recovery boiler, which was supplied by ANDRITZ in 2006. The mill expansion is one of the largest industrial investments in Sweden.

ANDRITZ successfully started-up a pressurized refining system for Placas do Brasil, Pinheiros, Brazil. Placas do Brasil is already producing the first fiberboard at the new plant. Another ANDRITZ pressurized refining system in Brazil with a total capacity of 530 t/d recently started-up at Asperbras's Água Clara plant.

IMPORTANT ORDERS

Customer	Country	Scope of supply
Nettingsdorfer Papierfabrik	Austria	Supply of a HERB recovery boiler and a pre-evaporation plant.
Kruger	Canada	Reconfiguration of TMP peroxide bleach plant (TMP: Thermo-Mechanical Pulp).
Shandong Bohui Paper Industry	China	Delivery of a P-RC APMP fiberline (P-RC APMP: Pre-conditioning Refiner Chemical Alkaline Peroxide Mechanical Pulp).
UPM Nordland Papier	Germany	Modification of a stock preparation system, approach flow and broke system; rebuild of all sections of paper machine #2 (PM2).
Naini Papers	India	Supply of a new HERB recovery boiler including engineering, pressure parts, key technology equipment, and safety-related systems.
K R Pulp & Papers	India	Supply of a new HERB recovery boiler.
Toyo Engineering Corporation	Japan	Delivery of a PowerFluid circulating fluidized bed boiler (CFB) with flue gas cleaning system for a new biomass power plant.
Ilim Pulp	Russia	Rebuild of hardwood fiberline and pulp drying line, including new screening plant, new dryer, new cutter, and new baling line.
Arkhbum Tissue Group	Russia	Supply of a tissue machine *Prime*LineTM W6 with *Prime*Press XT Evo, including stock preparation line, approach flow system, automation, and electrification.
Smurfit Kappa Kraftliner	Sweden	Recovery boiler upgrade and shutdown work.
Södra Cell Mönsterås	Sweden	Delivery of a bio-methanol cleaning and purification plant.

METALS

IMPORTANT ORDERS

Customer	Country	Scope of supply
SAIC Volkswagen	China	Supply of two Servoline 18 press lines for the production of body shell and structural components as well as delivery of two tryout presses.
Schaeffler	China	Delivery of two transfer presses for the production of structural components.
Production Products	USA	Supply of a hydroforming press for the production of tubes and profiles using hydroforming technology.
PGTex	China	Delivery of a composite press for manufacturing car body parts made of carbon-fiber reinforced plastics.
Volkswagen	Germany	Delivery of a blanking line for production of blanks as input material for the subsequent metal forming process.
Guangzhou Automobile Group	China	Delivery of a blanking line for production of blanks as input material for the subsequent metal forming process.
Martin Metallverarbeitung	Germany	Supply of two servo presses for efficient and flexible production of formed components.
Hoerbiger Antriebstechnik	Germany	Delivery of a servo press for efficient and flexible production of formed components.
Waasner	Germany	Delivery of a Smartline press for production of energy-efficient electric motors.
Feintool	China	Delivery of a servo press for efficient and flexible production of formed components.
Coremex	Mexico	Supply of two Smartline presses and one notching press for production of electric motors and generators.
Fuxin Special Steel	China	Supply of a cold strip annealing and pickling line for the Fuxin plant in Fujian Province. The scope of supply includes the mechanical equipment, the degreasing section, the annealing furnace, the pickling section (including a neolyte recovery system and a PYROMARS plant), the skin pass mill and leveler, the automation and electrical equipment, and the instrumentation systems.
Harada	Japan	Supply of a 20-high cold rolling mill, including electrical equipment and automation for the Sendai plant, Miyagi Prefecture. The plant will produce phosphor bronze with a strip width of 200 to 400 mm and final strip thicknesses down to 0.02 mm.

SEPARATION

IMPORTANT EVENTS

ANDRITZ has developed a new grease and oil product line in cooperation with “77 Lubricants” for standard decanters.

For the expansion of the Bailonggang wastewater treatment plant in Shanghai, the business area will supply sludge handling and nine fluidized bed dryers.

IMPORTANT ORDERS

Customer / Industry	Country	Scope of supply
Shouguang	China	Fluid bed system.
Hanwha Chemical Ulsan Plant	Korea	Fluid bed system, auxiliary equipment.
Dahej	India	Fluid bed system.
PJSC Metafrax	Russia	Vacuum drum filter.
Arab Potash Company Co. PLC	Jordan	Two screen bowls.
BHP Billiton Nickel West Pty. Ltd.	Australia	Two paddle dryers.
ENGINEERING DOBERSEK GmbH Anlagenbau	Germany	Two thickeners.
MTI Environment	USA/China	Three paddle dryer lines.
Progress	Russia	Contact drum dryer for a baby food line.
Sociedad Química Minera de Chile SQM Industrial S.A.	Chile	Six siphon peelers and two drum filters.
MMK Ugol	Russia	Two hyperbaric disc filters.

CONSOLIDATED INCOME STATEMENT

For the first half of 2018 (unaudited)

(in TEUR)	H1 2018	H1 2017	Q2 2018	Q2 2017
Sales	**2,763,082**	**2,778,998**	**1,472,118**	**1,392,776**
Changes in inventories of finished goods and work in progress	84,610	88,616	31,095	36,139
Capitalized cost of self-constructed assets	1,677	4,806	556	2,378
	2,849,369	**2,872,420**	**1,503,769**	**1,431,293**
Other operating income	37,601	86,550	13,214	52,683
Cost of materials	-1,410,896	-1,421,743	-752,610	-692,523
Personnel expenses	-872,232	-863,279	-440,302	-436,517
Other operating expenses	-392,131	-420,446	-206,163	-222,103
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)	**211,711**	**253,502**	**117,908**	**132,833**
Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment	-58,769	-68,063	-29,392	-34,338
Earnings Before Interest and Taxes (EBIT)	**152,942**	**185,439**	**88,516**	**98,495**
Result from associated companies	-53	-315	-69	8
Interest income	11,089	19,436	5,397	8,832
Interest expenses	-17,243	-18,822	-8,801	-9,415
Other financial result	-3,798	3,129	-5,113	623
Financial result	**-10,005**	**3,428**	**-8,586**	**48**
Earnings Before Taxes (EBT)	**142,937**	**188,867**	**79,930**	**98,543**
Income taxes	-43,053	-57,027	-24,082	-29,803
NET INCOME	**99,884**	**131,840**	**55,848**	**68,740**
Thereof attributable to:				
Shareholders of the parent	100,622	130,806	56,611	67,846
Non-controlling interests	-738	1,034	-763	894
Weighted average number of no-par value shares	101,038,493	102,064,742	101,023,015	102,068,137
Basic earnings per no-par value share (in EUR)	1.00	1.28	0.56	0.66
Effect of potential dilution of share options	0	124,194	0	174,035
Weighted average number of no-par value shares and share options	101,038,493	102,188,936	101,023,015	102,242,172
Diluted earnings per no-par value share (in EUR)	1.00	1.28	0.56	0.66

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the first half of 2018 (condensed, unaudited)

(in TEUR)	H1 2018	H1 2017	Q2 2018	Q2 2017
NET INCOME	**99,884**	**131,840**	**55,848**	**68,740**
Items that may be reclassified to profit or loss:				
Currency translation adjustments of foreign operations	-8,296	-40,423	712	-39,008
Result from available-for-sale financial assets, net of tax	-36	-5,857	-36	-7,212
Result from cash flow hedges, net of tax	0	389	0	-269
Result from associated companies, accounted for using the equity method, net of tax	73	-358	25	-318
Items that will not be reclassified to profit or loss:				
Actuarial gains/losses, net of tax	0	0	0	0
Result from fair value valuation of financial assets, net of tax	-13,016	0	-9,736	0
Result from associated companies, accounted for using the equity method, net of tax	0	0	0	0
OTHER COMPREHENSIVE INCOME	**-21,275**	**-46,249**	**-9,035**	**-46,807**
TOTAL COMPREHENSIVE INCOME	**78,609**	**85,591**	**46,813**	**21,933**
Thereof attributable to:				
Shareholders of the parent	79,320	85,244	47,507	21,693
Non-controlling interests	-711	347	-694	240

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2018 (unaudited)

(in TEUR)	June 30, 2018	December 31, 2017
ASSETS		
Intangible assets	153,736	160,701
Goodwill	546,645	547,637
Property, plant, and equipment	764,765	762,267
Shares in associated companies	0	6,407
Investments and other financial assets	140,939	170,471
Trade accounts receivable	16,210	19,370
Other receivables and assets	29,712	41,344
Deferred tax assets	136,149	152,647
Non-current assets	**1,788,156**	**1,860,844**
Inventories	858,187	761,013
Advance payments made	119,875	99,264
Trade accounts receivable	776,290	891,980
Cost and earnings of projects under construction in excess of billings	0	599,550
Contract assets from contracts with customers	761,201	0
Receivables from current taxes	28,790	54,741
Other receivables and assets	331,197	341,183
Investments	394,894	565,780
Cash and cash equivalents	940,646	1,071,478
Assets held for sale	29,758	19,515
Current assets	**4,240,838**	**4,404,504**
TOTAL ASSETS	**6,028,994**	**6,265,348**

SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	104,000	104,000
Capital reserves	36,476	36,476
Retained earnings	1,069,976	1,160,334
Equity attributable to shareholders of the parent	**1,210,452**	**1,300,810**
Non-controlling interests	23,326	24,600
Total shareholders' equity	**1,233,778**	**1,325,410**
Bonds	346,833	349,759
Bank loans and other financial liabilities	422,035	424,851
Obligations under finance leases	16,101	17,196
Provisions	558,547	582,058
Other liabilities	37,658	103,941
Deferred tax liabilities	90,757	87,892
Non-current liabilities	**1,471,931**	**1,565,697**
Bank loans and other financial liabilities	102,260	80,890
Obligations under finance leases	1,159	1,138
Trade accounts payable	484,208	461,239
Billings in excess of cost and earnings of projects under construction	0	1,052,571
Contract liabilities from contracts with customers	1,000,010	0
Advance payments received	333,841	277,219
Provisions	443,703	484,079
Liabilities for current taxes	38,731	71,515
Other liabilities	916,739	942,979
Liabilities relating to assets held for sale	2,634	2,611
Current liabilities	**3,323,285**	**3,374,241**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**6,028,994**	**6,265,348**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the first half of 2018 (unaudited)

(in TEUR)	H1 2018	H1 2017
Earnings Before Taxes (EBT)	**142,937**	**188,867**
Interest result	6,154	-614
Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment	58,769	68,063
Result from associated companies	53	315
Changes in provisions	-57,921	-30,741
Gains/losses from the disposal of fixed and financial assets	-191	-23,429
Other non-cash income/expenses	6,019	-7,287
Gross cash flow	**155,820**	**195,174**
Changes in inventories	-94,738	-104,333
Changes in advance payments made	-21,205	-5,169
Changes in receivables	135,736	53,479
Changes in cost and earnings of projects under construction in excess of billings and changes in contract assets from contracts with customers	-151,117	38,880
Changes in advance payments received	44,856	42,923
Changes in liabilities	-67,181	-101,714
Changes in billings in excess of cost and earnings of projects under construction and changes in contract liabilities from contracts with customers	-67,848	34,428
Change in net working capital	**-221,497**	**-41,506**
Interest received	8,960	18,344
Interest paid	-15,251	-14,420
Dividends received	375	0
Income taxes paid	-29,577	-76,065
CASH FLOW FROM OPERATING ACTIVITIES	**-101,170**	**81,527**
Payments received for asset disposals (including financial assets)	1,947	12,637
Payments made for intangible assets and for property, plant, and equipment	-47,151	-56,668
Payments made for non-current financial assets	-17,890	-42,240
Net cash flow from company acquisitions	-5,372	-12,696
Net cash flow from sale of subsidiaries	0	23,966
Payments received for investments and other current financial assets	247,499	67,621
Payments made for investments and other current financial assets	-39,867	-40,637
CASH FLOW FROM INVESTING ACTIVITIES	**139,166**	**-48,017**
Payments received from issuance of Schuldscheindarlehen	0	400,000
Payments received from other financial liabilities	42,961	23,467
Payments made for other financial liabilities	-22,171	-26,709
Dividends paid by ANDRITZ AG	-156,642	-153,090
Dividends paid to non-controlling interest holders	-2,401	-483
Purchase of non-controlling interests and payments to former shareholders	-4,826	-796
Purchase of treasury shares	-4,922	-541
CASH FLOW FROM FINANCING ACTIVITIES	**-148,001**	**241,848**

(in TEUR)	H1 2018	H1 2017
CHANGES IN CASH AND CASH EQUIVALENTS	**-110,005**	**275,358**
Currency translation adjustments	-10,507	-34,349
Changes in consolidation scope	111	1,117
Reclassification as held for sale	-10,265	0
Change in accounting policies	-166	0
Cash and cash equivalents at the beginning of the period	1,071,478	1,296,336
Cash and cash equivalents at the end of the period	940,646	1,538,462

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the first half of 2018 (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	Fair value reserve	Actuarial gains/ losses	Currency translation adjustments	Treasury shares	Total		
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			130,806						130,806	1,034	131,840
Other comprehensive income				-5,481			-40,081		-45,562	-687	-46,249
Total comprehensive income			**130,806**	**-5,481**			**-40,081**		**85,244**	**347**	**85,591**
Dividends			-153,090						-153,090	-483	-153,573
Changes in treasury shares			172					527	699		699
Changes concerning share option programs			2,068						2,068		2,068
Transactions with non-controlling interests			-4,008			1	-3,149		-7,156	6,359	-797
Changes in consolidation type			-960						-960	-4	-964
BALANCE AS OF JUNE 30, 2017	**104,000**	**36,476**	**1,262,220**	**42,204**		**-82,132**	**-28,814**	**-79,646**	**1,254,308**	**22,947**	**1,277,255**
BALANCE 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**
Change in accounting policies			-9,315	-28,252	28,423		620		-8,524	-167	-8,691
BALANCE AS OF JANUARY 1, 2018	**104,000**	**36,476**	**1,378,428**		**28,423**	**-75,980**	**-51,777**	**-127,284**	**1,292,286**	**24,433**	**1,316,719**
Net income			100,622						100,622	-738	99,884
Other comprehensive income					-13,052		-8,250		-21,302	27	-21,275
Total comprehensive income			**100,622**		**-13,052**		**-8,250**		**79,320**	**-711**	**78,609**
Dividends			-156,642						-156,642	-2,401	-159,043
Changes in treasury shares			79					-3,745	-3,666		-3,666
Changes concerning share option programs			1,159						1,159		1,159
Transactions with non-controlling interests			-2,005						-2,005	2,005	
Other changes			816		44		-860		0		
BALANCE AS OF JUNE 30, 2018	**104,000**	**36,476**	**1,322,457**		**15,415**	**-75,980**	**-60,887**	**-131,029**	**1,210,452**	**23,326**	**1,233,778**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2018

A) GENERAL

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.

In general, the business of the ANDRITZ GROUP is not characterized by any seasonality.

The interim consolidated financial statements as of June 30, 2018 were neither subject to a complete audit nor to an audit review by an auditor.

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

B) ACCOUNTING PRINCIPLES

The interim consolidated financial statements as of June 30, 2018 were prepared in accordance with the principles set forth in the International Financial Reporting Standards (IFRS) – guidelines for interim reporting (IAS 34) – to be applied in the European Union. The accounting and valuation methods as of December 31, 2017 have been maintained unmodified with exception of the new applicable standards as of January 1, 2018. For additional information on the accounting and valuation principles, refer to the consolidated financial statements as of December 31, 2017, which form the basis for this interim consolidated financial report.

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

ANDRITZ has applied the following new or changed standards issued by the IASB and the interpretations issued by the IFRIC for the financial year beginning on January 1, 2018:

Standard/Interpretation	Title	Effective for annual financial statements for periods beginning on or after	Endorsement by EU
IAS 40	Change: Transfers of investment property	January 1, 2018	March 14, 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	February 26, 2018
IFRS 4	Change: Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts	January 1, 2018	November 3, 2017
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
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018	March 28, 2018

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 replaced all the existing regulations on revenue recognition under IFRS (IAS 11 – Construction contracts and IAS 18 – Revenue).

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 superseded IAS 39 – Financial instruments: Recognition and measurement.

The disclosures on the first-time application of IFRS 15 – Revenue from contracts with customers and from IFRS 9 – Financial instruments can be found in chapter B) Accounting principles, sub-item c).

Other

IFRIC 22 regulates the accounting of transactions that involve the receipt or payment of consideration in foreign currencies. It clarifies the time at which the exchange rate for the translation of transactions in foreign currencies – which include prepayments received or paid – is to be determined.

The amendment to **IAS 40** clarifies that an entity may transfer a property to or from its investment property only if there is evidence of a change in use.

The amendments to **IFRS 2** include provisions to reflect market and non-brand vesting conditions in the measurement of cash-settled commitments and the classification of share-based payments that are tax deductible.

The amendments to **IFRS 4** include additions to the previously decided postponement or overlay approach for companies whose primary activity is in the insurance business.

The **annual improvements to IFRS (Cycle 2014-2016)** contain clarifications on IFRS 1 – First-time adoption of International Financial Reporting Standards as well as IAS 28 – Investments in associates and joint ventures.

These applied standards do not have any or no material effect at ANDRITZ.

b) Standards and interpretations that have been published but not yet applied

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
IAS 19	Change: Plan amendment, curtailment or settlement	January 1, 2019	planned for 2018
IAS 28	Change: Long-term interests in associates and joint ventures	January 1, 2019	planned for 2018
IFRS 23, IFRS 3, and IFRS 11	Annual improvements of IFRS (Cycle 2015-2017)	January 1, 2019	planned for 2018
IFRS 9	Change: Prepayment features with negative compensation	January 1, 2019	March 22, 2018
IFRS 16	Leases	January 1, 2019	October 31, 2017
IFRS 17	Insurance contracts	January 1, 2021	open
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019	planned for Q3 2018
	Amendments to references to the conceptual framework in IFRS Standards	January 1, 2020	planned for 2019

IFRS 16 – Leases

The central idea of IFRS 16 is to include all lease arrangements and the related contractual rights and obligations in the statement of financial position for all lessees. The lessee recognizes a lease liability for the obligation of future lease payments for all lease arrangements. At the same time, the lessee capitalizes a right of use asset for the underlying asset value that is basically equal to the carrying 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 according to IAS 17. In contrast, the rules of the new standard for the lessor are similar to the regulations contained in IAS 17. As of December 31, 2017 ANDRITZ published the impact on its consolidated financial statements that will result from applying IFRS 16. The IFRS 16 project has progressed further and is currently in the phase of implementing an IT-system. The assessment as of December 31, 2017 has only slightly changed. 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.

IFRS 9 – Change: Prepayment features with negative compensation

According to the current regulations of IFRS 9, the cash flow condition is not fulfilled or an obligation to valuation through profit and loss is mandatory if the lender has to make a compensation payment in the event of a termination by the borrower (sometimes referred to as a prepayment gain). As a result of the amendment, the existing regulations of IFRS 9 will be adjusted so that negative compensation payments can also be measured at amortized cost (or at fair value depending on the business model). According to the new regulation, the sign of the compensation payment is irrelevant. Depending on the interest level prevailing at termination, a payment in favor of the contracting party which causes the early repayment is also possible. The calculation of this equalization payment must be the same, both in the event of a prepayment penalty and in the event of a prepayment gain. It is expected that these changes will not have a material effect at ANDRITZ.

Other

The amendment to **IAS 19** requires a compulsory reassessment of current service cost and net interest using the current actuarial assumptions for changes, curtailments or settlements of defined benefit plans.

The amendment to **IAS 28** clarifies the application of IFRS 9 to long-term investments in associates or joint ventures that form part of the net investment in these associates or joint ventures, but are not accounted for using the equity method.

IFRS 17 regulates the recognition, valuation, presentation, and information for insurance contracts.

The **annual improvements to IFRS (Cycle 2015-2017)** provide clarifications on IAS 23 – Borrowing costs, IFRS 3 – Business combinations, and IFRS 11 – Joint arrangements.

IFRIC 23 clarifies the accounting for uncertainty regarding income taxes.

These new or changed standards do not have any or no material effect at ANDRITZ.

c) First-time application of IFRS 15 – Revenue from contracts with customers and IFRS 9 – Financial instruments

ANDRITZ has applied the cumulative method for the conversion to **IFRS 15 – Revenue from contracts with customers** and **IFRS 9 – Financial instruments**. Due to the choice of the cumulative transition method, the consolidated statement of financial position and the consolidated income statement for the comparative period 2017 were not adjusted. The cumulative effects at the time of initial application, January 1, 2018, were recognized in equity and are as follows:

(in TEUR)	December 31, 2017	IFRS 9	IFRS 15	Deferred taxes	January 1, 2018
ASSETS					
Non-current assets					
Investments	170,471	5,199			175,670
Trade accounts receivable	19,370	-41			19,329
Deferred tax assets	152,647			2,511	155,158
Current assets					
Inventories	761,013		2,248		763,261
Trade accounts receivable	891,980	-5,834	-26		886,120
Cost and earnings of projects under construction in excess of billings	599,550		-599,550		
Contract assets from contracts with customers		-2,132	612,505		610,373
Other receivables and assets	341,183	-1,497	13,791		353,477
Investments	565,780	-1,010			564,770
Cash and cash equivalents	1,071,478	-166			1,071,312
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Retained earnings	1,160,334	-5,426	-5,273	2,176	1,151,810
Non-controlling interests	24,600	-55	-129	17	24,433
Non-current liabilities					
Provisions	582,058		-528		581,530
Deferred tax liabilities	87,892			318	88,210
Current liabilities					
Trade accounts payable	461,239		287		461,526
Billings in excess of cost and earnings of projects under construction	1,052,571		-1,052,571		
Contract liabilities from contracts with customers			1,073,213		1,073,213
Advance payments received	277,219		12,113		289,332
Provisions	484,079		-1,555		482,524
Other liabilities	942,979		3,412		946,391

IFRS 15 – Revenue from contracts with customers

The first-time application of IFRS 15 as of January 1, 2018 included a cumulative effect in the amount of 5,273 TEUR (before taxes) to reduce capital. This effect results from 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. Only a few construction contracts that were previously accounted for using the percentage-of-completion method in accordance with IAS 11 changed to the point in time revenue recognition method because the prerequisites for over time revenue recognition in accordance with IFRS 15 were not met. Over time revenue recognition in accordance with performance progress is made using input- or output-oriented methods. In individual cases, there was a change in the method of measuring the performance progress as well as a change between over time and at a point in time 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. 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 resulted in a delay in revenue recognition as of January 1, 2018 as well as a capitalization of contract costs.

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 (at ANDRITZ in individual cases especially penalties) 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 was 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. The impact on financial position, financial performance, and cash flow of the Group was insignificant as of January 1, 2018.

The following tables show the described changes to the consolidated statement of financial position and to the consolidated income statement of the ANDRITZ GROUP as of June 30, 2018. The impact on the consolidated statement of cash flows as of June 30, 2018 is of minor importance.

Impact on the consolidated statement of financial position as of June 30, 2018

(in TEUR)	Amounts reported as of June 30, 2018	Adjustments	Amounts without application of IFRS 15
ASSETS			
Non-current assets			
Deferred tax assets	136,149	-3,142	133,007
Current assets			
Inventories	858,187	23,476	881,663
Cost and earnings of projects under construction in excess of billings	0	729,756	729,756
Contract assets from contracts with customers	761,201	-761,201	0
Other receivables and assets	331,197	-13,368	317,829
SHAREHOLDERS' EQUITY AND LIABILITIES			
Total shareholders' equity	**1,233,778**	**-6,768**	**1,227,010**
Non-current liabilities			
Deferred tax liabilities	90,757	-4,504	86,253
Provisions	558,547	-158	558,389
Current liabilities			
Billings in excess of cost and earnings of projects under construction	0	975,482	975,482
Contract liabilities from contracts with customers	1,000,010	-1,000,010	0
Advance payments received	333,841	11,416	345,257
Provisions	443,703	63	443,766

Impact on the consolidated income statement for the first half of 2018

(in TEUR)	Amounts reported as of June 30, 2018	Adjustments	Amounts without application of IFRS 15
Sales	**2,763,082**	**-3,303**	**2,759,779**
Changes in inventories of finished goods and work in progress	84,610	8,446	93,056
Capitalized cost of self-constructed assets	1,677		1,677
	2,849,369	**5,143**	**2,854,512**
Other operating income	37,601		37,601
Cost of materials	-1,410,896	95	-1,410,801
Personnel expenses	-872,232		-872,232
Other operating expenses	-392,131	-13,368	-405,499
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)	**211,711**	**-8,130**	**203,581**
Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment	-58,769		-58,769
Earnings Before Interest and Taxes (EBIT)	**152,942**	**-8,130**	**144,812**
Financial result	**-10,005**		**-10,005**
Earnings Before Taxes (EBT)	**142,937**	**-8,130**	**134,807**
Income taxes	-43,053	1,362	-41,691
NET INCOME	**99,884**	**-6,768**	**93,116**

IFRS 9 – Financial instruments

The first-time application of IFRS 9 as of January 1, 2018 included a cumulative effect of 5,426 TEUR (before taxes) to reduce capital. This effect is entirely attributable to changes in financial assets. The first-time adoption of IFRS 9 had no impact on financial liabilities. The nature and effect of changes in previous accounting policies and details of the new significant accounting policies are set out below.

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 (FVTOCI). 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.

The classification and valuation of financial assets can be reconciled from IAS 39 to IFRS 9 as follows:

(in TEUR)	Original classification under IAS 39	New classification under IFRS 9	Net book value as of December 31, 2017	Net book value as of January 1, 2018*	IFRS 9 Adjustment
Measured at fair value					
Investments: Debt instruments	Available for sale	At fair value through profit and loss	603,118	602,090	-1,028
Investments: Equity instruments	Available for sale	At fair value through OCI	33,492	33,492	
Derivatives: Foreign exchange forward contracts	Held for trading	At fair value through profit and loss	67,686	67,686	
Derivatives: Interest rate swaps	Hedge accounting	At fair value through profit and loss	9,518	9,518	
Measured at amortized costs					
Shares in non-consolidated companies and other shares	Available for sale	At fair value through profit and loss	12,496	17,713	5,217
Miscellaneous other financial assets	Loans and receivables	At amortized costs	7,145	7,145	
Trade accounts receivable	Loans and receivables	At amortized costs	911,350	905,449	-5,875
Other receivables and assets	Loans and receivables	At amortized costs	112,964	111,467	-1,497
Other receivables and assets	No IAS 39 valuation category	No IFRS 9 valuation category	172,359	172,359	
Schuldscheindarlehen	Loans and receivables	At amortized costs	100,000	100,000	
Cash and cash equivalents	Loans and receivables	At amortized costs	1,071,478	1,071,312	-166
Contract assets from contracts with customers	No IAS 39 valuation category	No IFRS 9 valuation category	891,980	597,418	-2,132
TOTAL					**-5,481**

* These carrying amounts refer only to the amendments made by IFRS 9. The effects of IFRS 15 can be seen in the previous chapter to lead over to the actual carrying amounts as of January 1, 2018.

Investments were categorized as available for sale in accordance with IAS 39 and, with the exception of permanent impairments, are measured at fair value through OCI. In accordance with IFRS 9, the investments are classified as equity and debt instruments and assessed by business model and cash flow analysis. Shares, as equity instruments, are generally measured at fair value through profit or loss. If there is no intention to trade, an option for valuation without effect on profit or loss can be exercised at initial recognition. This option is used, which results in a valuation through OCI. Debt instruments include funds and other financial instruments. In accordance with IFRS 9, these are measured at fair value through profit or loss.

Derivatives include foreign currency forward contracts and interest rate swaps. These instruments are further measured at fair value through profit or loss. In accordance with IFRS 9, derivatives are always measured at fair value through profit or loss. Therefore, a detailed analysis is not required.

The interests in non-consolidated companies and other investments were categorized and measured as available for sale in accordance with IAS 39. Corresponding to IFRS 9, these instruments are classified as equity instruments and measured accordingly, which resulted in a revaluation of 5,217 TEUR. There is no intention to trade these instruments. The option to designate instruments at initial recognition to valuation through OCI is not used.

Receivables and other financial assets continue to be measured at amortized cost. Since these are debt instruments, it was determined that the cash flow criteria are met and a business model without trading intent is given. Due to the extended impairment regulations, an additional impairment loss is recorded, which is explained in detail below.

Impairment – financial assets and contract 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 was determined on the basis of weighted probabilities.

The new impairment model was applied to financial assets that are measured at amortized cost or at FVTOCI – with the exception of investment securities held as financial assets – and to contract assets.

In accordance with IFRS 9, valuation allowances were 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 applied to trade receivables and contract assets without a significant financing component. ANDRITZ also applies this method to contract assets with a significant financing component.

Impairment on financial assets will change within the scope of the impairment model of IFRS 9 as follows:

Trade accounts receivable, contract assets from contracts with customers, 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 the gross domestic product (GDP) and unemployment rate as well as the industry outlook and is around 2 percent.

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 published external credit ratings. 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 regulations under IFRS 9 as of January 1, 2018 led to the following additional valuation allowances:

(in TEUR)

Valuation allowances as of December 31, 2017 under IAS 39	**43,385**
Additional impairment recognised as of January 1, 2018 on:	
Trade accounts receivable	6,330
Contract assets from contracts with customers	2,133
Other receivables and assets	1,497
Time deposits	1,083
Cash and cash equivalents	111
VALUATION ALLOWANCES AS OF JANUARY 1, 2018 UNDER IFRS 9	**54,539**

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.

C) CONSOLIDATION SCOPE

The interim consolidated financial statements include ANDRITZ AG and those companies it controls, where their influence on the assets, liabilities, financial position, and profit or loss of the Group is not of minor importance. The consolidation scope has changed as follows:

	2018		2017	
	Full consolidation	Equity method	Full consolidation	Equity method
Balance as of January 1	**139**	**4**	**139**	**4**
Acquisition of companies	1		4	
Disposal of companies			-1	
New foundations			1	
Additions due to a change in consolidation type	3		1	
Disposals due to a change in consolidation type				
Reorganization	-5		-4	
Balance as of June 30	**138**	**4**	**140**	**4**
Thereof attributable to:				
Domestic companies	6	0	6	0
Foreign companies	132	4	134	4

D) ACQUISITIONS

Xerium Technologies, Inc.

In June 2018, ANDRITZ GROUP has signed a merger agreement to acquire Xerium Technologies, Inc., headquarter in Youngsville, North Carolina, USA. ANDRITZ will acquire Xerium for 13.50 USD per share in cash, in a transaction valued at approximately 833 MUSD, including net financial liabilities of approximately 590 MUSD. Xerium's common stock is publicly traded on the New York Stock Exchange under the ticker XRM.

The agreement, which has been unanimously approved by Xerium's Board of Directors, is subject to the approval of Xerium's shareholders and the satisfaction of customary closing conditions, including applicable regulatory approvals. Shareholders representing approximately 20% of Xerium's outstanding common stock have entered into an agreement to vote in favor of the merger. Closing is expected in the second half of 2018.

Xerium is a global manufacturer and supplier of machine clothing (forming fabrics, press felts, drying fabrics) and roll covers for paper, tissue, and board machines, including maintenance and aftermarket services. With its Smart® technology, the company provides a sophisticated digital software tool to optimize pressing performance by means of sensors integrated into the roll covers. Xerium has around 2,850 employees and operates more than 28 production facilities worldwide, including a site in Gloggnitz, Austria. In 2017, the company generated annual sales of 481 MUSD and an EBITDA of 85 MUSD, or 100 MUSD adjusted for extraordinary effects.

Novimpianti Drying Technology S.r.l.

ANDRITZ GROUP has acquired a 100% stake in Novimpianti Drying Technology S.r.l, Italy. Novimpianti has approximately 40 employees and generates annual sales of approximately 10 MEUR. Novimpianti is a global supplier of engineered equipment and services for air and energy systems to the paper industry's leading manufacturers. This acquisition complements the Pulp & Paper business area's product portfolio. The closing of the transaction took place in June 2018. As a result of this acquisition one fully consolidated entity entered the consolidation scope of ANDRITZ.

Other

In the first half of 2018, ANDRITZ has acquired individual assets and assumed liabilities as well as employees of Metall-Konstruktions- und Betriebsmittelbau Zwickau GmbH & Co. KG, Germany. MKB is specialised in the production of prototypes and small series in the automotive sector. The acquisition complements the product portfolio of the Metals business area. In addition, another asset deal was closed, which is also attributable to the Metals business area.

In June 2018, ANDRITZ has acquired a 51% stake in a joint venture, Sweden (from now on: ANDRITZ Technologies AB). The company is assigned to the Pulp & Paper business area. 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.

Preliminary fair values at the acquisition date

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

(in TEUR)	Metals	Pulp & Paper	Total
Intangible assets	84	1,971	2,055
Property, plant, and equipment	2,451	247	2,698
Inventories	493	865	1,358
Trade accounts receivable	0	3,826	3,826
Cash and cash equivalents	0	524	524
Other assets	0	238	238
Deferred tax liabilities	0	-551	-551
Provisions	-46	-610	-656
Bank loans and other financial liabilities	0	-554	-554
Trade accounts payable	0	-1,183	-1,183
Advance payments received	0	-957	-957
Other liabilities	-86	-816	-901
Net assets	**2,896**	**3,000**	**5,896**
Non-controlling interests	0	0	0
Goodwill	0	0	0
CONSIDERATION TRANSFERRED	**2,896**	**3,000**	**5,896**

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.

The acquisitions have contributed 702 TEUR to the ANDRITZ GROUP's sales and -342 TEUR to the ANDRITZ GROUP's EBIT since their first-time consolidation. If the businesses had been acquired at the beginning of the financial year 2018, they would have contributed sales in the amount of 7,020 TEUR and EBIT in the amount of -607 TEUR.

Due to time constraints and the fact that valuations have not been finalized yet, the initial accounting of all assets acquired and liabilities assumed is based on preliminary figures. The final evaluation of the balance sheet items will be carried out according to the regulations of IFRS 3 (revised) – Business Combinations.

E) NOTES TO THE CONSOLIDATED INCOME STATEMENT AND THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Sales

The following table shows the external sales of ANDRITZ for the first half of 2018 on the basis of the reported segments:

	Hydro		Pulp & Paper		Metals		Separation		Total	
(in TEUR)	**2018**	**2017***	**2018**	**2017***	**2018**	**2017***	**2018**	**2017***	**2018**	**2017***
REGIONS										
Europe	266,397	237,658	421,693	369,750	327,827	342,920	110,238	106,741	1,126,155	1,057,069
North America	99,070	101,506	191,560	205,295	182,548	212,469	80,025	72,325	553,203	591,595
South America	49,123	71,191	147,548	186,948	13,276	9,349	28,936	19,201	238,883	286,689
Asia (without China)	174,320	180,580	72,639	81,270	48,933	35,717	35,742	34,193	331,634	331,760
China	69,560	61,603	144,272	131,452	168,286	187,345	21,261	22,574	403,379	402,974
Others	65,733	72,063	31,809	16,218	1,563	4,511	10,723	16,119	109,828	108,911
	724,203	**724,601**	**1,009,521**	**990,933**	**742,433**	**792,311**	**286,925**	**271,153**	**2,763,082**	**2,778,998**
TIMING OF REVENUE RECOGNITION										
Over time	619,282	607,133	649,395	605,718	457,434	508,902	85,596	67,467	1,811,707	1,789,220
At a point in time	104,921	117,468	360,126	385,215	284,999	283,409	201,329	203,686	951,375	989,778
	724,203	**724,601**	**1,009,521**	**990,933**	**742,433**	**792,311**	**286,925**	**271,153**	**2,763,082**	**2,778,998**
SALES CATEGORIES										
Capital systems	525,236	517,909	577,465	571,585	581,845	606,195	148,539	136,312	1,833,085	1,832,001
Service	198,967	206,692	432,056	419,348	160,588	186,116	138,386	134,841	929,997	946,997
	724,203	**724,601**	**1,009,521**	**990,933**	**742,433**	**792,311**	**286,925**	**271,153**	**2,763,082**	**2,778,998**

* ANDRITZ has applied IFRS 15 for the first time as of January 1, 2018. Due to the choice of the cumulative transition method, the comparative period was not adjusted.

Intangible assets and property, plant, and equipment

The additions to intangible and tangible fixed assets amounted to 47,182 TEUR in the first half of 2018. Amortization of intangible assets and depreciation of property, plant, and equipment amounted to 58,769 TEUR.

Shares in associated companies

In the financial year 2018 an impairment loss of shares in associated companies in the amount of 6,479 TEUR was recognized, as the business development did not turn out as expected. The impairment relates to a company in China that is attributable to the Metals business area.

Assets held for sale

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

Immediately before the initial classification of the asset as held for sale as of December 31, 2017, the carrying amounts of the assets were measured in accordance with IFRS 5, resulting in a write-off in the amount of 1,304 TEUR. There has been no material change to this measurement as of June 30, 2018.

As of June 30, 2018 the individual assets and liabilities reclassified as held for sale are as follows:

(in TEUR)	**June 30, 2018**
Property, plant, and equipment	9,196
Other receivables and assets	51
Cash and cash equivalents	20,511
ASSETS HELD FOR SALE	**29,758**
Deferred tax liabilities	2,504
Provisions	130
LIABILITIES RELATING TO ASSETS HELD FOR SALE	**2,634**

Equity

Dividends

The dividend of 156,642 TEUR for 2017 – this is equal to 1.55 EUR per share – was proposed by the Executive Board and approved by the 111th Annual General Meeting on March 23, 2018. The dividend was paid to the shareholders on March 29, 2018.

Treasury shares

During the first half of 2018, 112,000 shares were bought back. 27,180 shares were transferred to ANDRITZ employees as part of employee participation programs.

Share option program 2018

The 111th Annual General Meeting, held on March 23, 2018, 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, 2018, 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 111th Annual General Meeting, held on March 23, 2018.

The options can be exercised between May 1, 2021, and April 30, 2023 (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, 2020, to April 30, 2021 is at least 10% above the exercise price and the EBITA margin of the 2019 financial year is at least 7.9% or the EBITA margin of the 2020 financial year is at least 8.0%; or the average unweighted closing price of the ANDRITZ share over 20 consecutive trading days within the period from May 1, 2021, to April 30, 2020, is at least 15% above the exercise price and the EBITA margin of the 2020 financial year is at least 8.0% or the EBITA margin of the 2021 financial year is at least 8.1%.

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 the first half of 2018 totaled 900,073. The fair value of the options at the time of granting amounts to 3,996 TEUR. 777 TEUR thereof were reported as proportionate expense in the first half of 2018. The calculation of fair value was based on an option pricing model. Scientifically accepted methods were applied. The share price at the time of granting the options was the closing price of the ANDRITZ share on June 1, 2018, and amounts to 43.00 EUR. The exercise price of 46.01 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, these corresponding expenses are recorded directly in equity, according to the International Financial Reporting Standards.

F) SEGMENT REPORTING

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

- Hydro (HY)
- Pulp & Paper (PP)
- Metals (ME)
- Separation (SE)

Business area information for the first half of 2018

(in TEUR)	HY	PP	ME	SE	Total
Sales	724,203	1,009,521	742,433	286,925	2,763,082
EBITDA	57,092	106,125	32,094	16,400	211,711
EBITA	43,518	92,872	17,690	12,254	166,334
Capital expenditure	15,690	14,432	12,105	4,953	47,180
Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment	13,658	13,938	26,988	4,185	58,769
Result from associated companies	0	-53	0	0	-53
Shares in associated companies	0	0	0	0	0

Business area information for the first half of 2017

(in TEUR)	HY	PP	ME	SE	Total
Sales	724,601	990,933	792,311	271,153	2,778,998
EBITDA	57,150	97,382	82,442	16,528	253,502
EBITA	43,274	84,704	67,264	12,066	207,308
Capital expenditure	17,793	20,895	13,315	3,912	55,915
Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment	16,800	14,025	31,376	5,862	68,063
Result from associated companies	0	-17	-298	0	-315
Shares in associated companies	0	0	6,175	0	6,175

G) NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow from operating activities amounted to -101,170 TEUR in the first half of 2018 (H1 2017: 81,527 TEUR). This decrease was mainly due to project related changes in the net working capital.

The cash flow from investing activities amounted to 139,166 TEUR in the first half of 2018 (H1 2017: -48,017 TEUR). The change is mainly due to the sale of current investments.

The cash flow from financing activities amounted to -148,001 TEUR in the first half of 2018 (H1 2017: 241,848 TEUR). The change resulted mainly from the issuance of a Schuldscheindarlehen in June 2017 (nominal value: 400,000 TEUR).

The net cash flow from company acquisitions is as follows:

(in TEUR)	H1 2018	H1 2017
Net assets	**5,896**	**14,877**
Non-controlling interests	0	0
Goodwill	0	-1,530
CONSIDERATION TRANSFERRED	**5,896**	**13,347**
Cash and cash equivalents acquired	-524	-10
Payables from purchase price not yet paid (incl. contingent consideration)	0	-641
Fair value of formerly held interests	0	0
NET CASH FLOW FROM COMPANY ACQUISITIONS	**5,372**	**12,696**

The cash flows on acquisition of subsidiaries are valued at the rates applying to the respective transactions. The initial accounting for the businesses acquired in 2018 is based on preliminary figures.

H) FINANCIAL INSTRUMENTS

Valuation techniques

Class	Valuation technique for determining fair values
Derivatives, investments, miscellaneous other investments, Schuldscheindarlehen, bonds, bank loans and other financial liabilities, obligations under finance leases, and contingent considerations	The fair value is basically calculated using stock market prices. If there are no stock market prices, the valuation is carried out using customary valuation methods taking specific parameters into account. The valuation model considers the present value of expected cash flows, discounted by a risk-adjusted discount rate for the respective remaining term.
Trade accounts receivable, other receivables and assets, cash and cash equivalents, trade accounts payable, and other liabilities	These classes of financial assets and liabilities are measured at their book values because, in most cases, their remaining terms are short. Thus, the book value is considered to be an appropriate approximation of the fair value.
Shares in non-consolidated companies and other shares	For these financial instruments no quoted market price is available on an active market. The valuation is made using valuation parameters that are not observable on the market.

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 for financial instruments. 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 the fair value:

As of June 30, 2018

(in TEUR)	Net book value				Fair value
	Total	Level 1	Level 2	Level 3	Total
Investments	412,225	412,225			412,225
Derivatives	62,514		62,514		62,514
Shares in non-consolidated companies and other shares	16,366			16,366	16,366
Financial assets measured at fair value through profit and loss	**491,105**				
Investments	20,225	3,001	17,224		20,225
Financial assets measured at fair value through other comprehensive income	**20,225**				
Miscellaneous other financial assets	7,018		7,273		7,273
Trade accounts receivable	792,500				
Other receivables and assets	278,394				
Schuldscheindarlehen	100,000		99,309		99,309
Cash and cash equivalents	940,646				
Financial assets measured at amortized costs	**2,118,558**				
FINANCIAL ASSETS	**2,629,888**				
Derivatives	61,778		61,778		61,778
Financial liabilities measured at fair value	**61,778**				
Bonds	346,833	352,219			352,219
Schuldscheindarlehen	399,135		414,681		414,681
Bank loans and other financial liabilities	125,160		128,336		128,336
Obligations under finance leases	17,260		17,571		17,571
Trade accounts payable	484,208				
Contingent considerations	65,175		67,985		67,985
Other liabilities	827,444				
Financial liabilities measured at amortized costs	**2,265,215**				
FINANCIAL LIABILITIES	**2,326,993**				

Transfers between levels of the fair value hierarchy

In the first half of 2018, there was one transfer from level 1 to level 2 of the fair value hierarchy regarding the shares in a company that is listed in China. There is no stock exchange price available for the share of this company. For this reason, the fair value as of June 30, 2018 in the amount of 17,224 TEUR was determined by using a level 2 valuation technique. The economic circumstances have not changed significantly since the last price formation, thus, the last available price was adjusted by directly observable, market-based valuation parameters. This means that additions and deductions depending on the development of a reference index are considered. Besides this issue, there have not been any transfers between levels of the fair value hierarchy.

As of December 31, 2017

(in TEUR)	Net book value Total	Level 1	Level 2	Level 3	Fair value Total
Investments	636,610	636,610			636,610
Derivatives	77,204		77,204		77,204
Financial assets measured at fair value	**713,814**				
Shares in non-consolidated companies and other shares	12,496				
Miscellaneous other financial assets	7,145		7,415		7,415
Trade accounts receivable	911,350				
Other receivables and assets	285,323				
Schuldscheindarlehen	100,000		99,076		99,076
Cash and cash equivalents	1,071,478				
Financial assets measured at amortized costs	**2,387,792**				
FINANCIAL ASSETS	**3,101,606**				
Derivatives	56,979		56,979		56,979
Financial liabilities measured at fair value	**56,979**				
Bond	349,759	362,439			362,439
Bank loans and other financial liabilities	106,671		110,141		110,141
Obligations under finance leases	18,334		18,611		18,611
Trade accounts payable	461,239				
Contingent considerations	62,737		67,632		67,632
Schuldscheindarlehen	399,070		410,145		410,145
Other liabilities	927,204				
Financial liabilities measured at amortized costs	**2,325,014**				
FINANCIAL LIABILITIES	**2,381,993**				

I) RELATED PARTY TRANSACTIONS

Transactions with associated companies and non-consolidated companies are not material and are mainly carried out in the form of deliveries and services. These business transactions are conducted exclusively based on normal market terms.

There were no material changes in transactions with related persons as set forth in the last annual financial report, which significantly affected the assets, liabilities, financial position, and profit or loss of the Group as required by the applicable accounting during the first six months of the current business year.

J) EVENTS AFTER JUNE 30, 2018

ANDRITZ GROUP has acquired a 70% stake in Diatec S.r.l, Italy. Diatec has approximately 70 employees and generates annual sales of approximately 30 MEUR. Diatec designs and manufactures a wide range of special machines and technological solutions, mainly for the production of baby diapers and other absorbent hygiene products. This acquisition complements the Pulp & Paper business area’s product portfolio. The closing of the transaction took place in July 2018.

STATEMENT BY THE EXECUTIVE BOARD

Statement by the Executive Board, pursuant to section 125 paragraph 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.

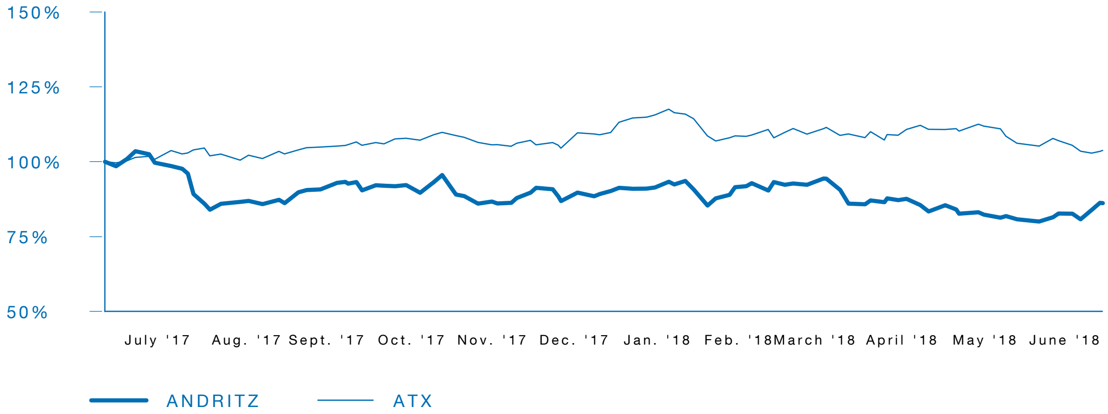
Graz, August 2018

The Executive Board of ANDRITZ AG

Wolfgang Leitner	Humbert Köfler	Joachim Schönbeck	Wolfgang Semper	Mark von Laer
President and CEO	Pulp & Paper (Service & Units), Separation	Pulp & Paper (Capital Systems), Metals	Hydro	CFO

SHARE

RELATIVE PRICE PERFORMANCE OF THE ANDRITZ SHARE COMPARED TO THE ATX (JULY 1, 2017 - JUNE 30, 2018)



Share price development

The development of the international financial markets during the reporting period was characterized primarily by uncertainty in connection with the trade conflict emanating from the USA and the possible impact it may have on the global economy. Most of the international stock market indices showed a slightly negative development. The price of the ANDRITZ share decreased by 3.5% in the first half of 2018, and the ATX, the Vienna Stock Exchange's leading share index, decreased by 4.8% in the same period. The highest closing price of the ANDRITZ share was 49.82 EUR (March 20, 2018), and the lowest was 42.24 EUR (June 6, 2018).

Trading volume

The average daily trading volume of the ANDRITZ share (double count, as published by the Vienna Stock Exchange) was 379,668 shares in the first half of 2018 (H1 2017: 288,440 shares). The highest daily trading volume was noted on June 15, 2018 (2,207,746 shares) and the lowest trading volume on May 28, 2018 (120,438 shares).

Investor Relations

During the second quarter of 2018, meetings were held with institutional investors and financial analysts in Berlin, Chicago, London, New York, Tokyo, Toronto, Paris, Seattle, Warsaw, and Zürs.

Key figures of the ANDRITZ share

	Unit	H1 2018	H1 2017	Q2 2018	Q2 2017	2017
Highest closing price	EUR	49.82	54.87	46.32	54.87	54.87
Lowest closing price	EUR	42.24	46.89	42.24	48.00	44.32
Closing price (as of end of period)	EUR	45.46	52.74	45.46	52.74	47.09
Market capitalization (as of end of period)	MEUR	4,727.8	5,485.0	4,727.8	5,485.0	4,896.8
Performance	%	-3.5	+10.6	+0.1	+12.5	-1.3
ATX weighting (as of end of period)	%	6.7820	7.8199	6.7820	7.8199	6.2680
Average daily number of shares traded	Share unit	379,668	288,440	403,555	307,475	306,296

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	< 70%
Stock exchange	Vienna (Prime Market)
Ticker symbols	Reuters: ANDR.VI; Bloomberg: ANDR, AV
Stock exchange indices	ATX, ATX five, ATX Global Players, ATX Prime, WBI

Financial calender 2018 and 2019 (preliminary)

November 6, 2018	Results for the first three quarters of 2018
March 6, 2019	Results for the 2018 business year
March 17, 2019	Record date Annual General Meeting
March 27, 2019	Annual General Meeting
March 29, 2019	Ex-dividend
April 1, 2019	Record date dividend
April 2, 2019	Dividend payment
May 2, 2019	Results for the first quarter of 2019
August 2, 2019	Results for the first half of 2019
November 6, 2019	Results for the first three quarters of 2019

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.

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.

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
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.

FVTOCI
Fair Value through other comprehensive income.

FVTPL
Fair Value through profit and loss.

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.

MUSD
Million United States Dollar.

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 cash as well as Schuldscheindarlehen) 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 a defined time period.

PP
Pulp & Paper business area.

Price-earnings-ratio
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
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.

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