INTERIM FINANCIAL REPORT

FIRST HALF 2017

ANDRITZ

KEY FINANCIAL FIGURES OF THE ANDRITZ GROUP

	Unit	H1 2017	H1 2016	+/-	Q2 2017	Q2 2016	+/-	2016
Order intake	MEUR	2,771.3	2,566.4	+8.0%	1,211.3	1,319.0	-8.2%	5,568.8
Order backlog (as of end of period)	MEUR	6,849.1	7,076.3	-3.2%	6,849.1	7,076.3	-3.2%	6,789.2
Sales	MEUR	2,779.0	2,761.2	+0.6%	1,392.8	1,475.6	-5.6%	6,039.0
Return on sales	%	6.7	5.9	-	7.1	6.0	-	6.4
EBITDA	MEUR	253.5	229.6	+10.4%	132.8	122.9	+8.1%	542.4
EBITA[1)]	MEUR	207.3	183.0	+13.3%	109.9	99.1	+10.9%	442.1
Earnings Before Interest and Taxes (EBIT)	MEUR	185.4	163.0	+13.7%	98.5	88.8	+10.9%	385.8
Earnings Before Taxes (EBT)	MEUR	188.9	171.8	+10.0%	98.6	96.9	+1.8%	398.4
Net income (including non-controlling interests)	MEUR	131.8	120.3	+9.6%	68.7	67.7	+1.5%	274.8
Net income (without non-controlling interests)	MEUR	130.8	120.2	+8.8%	67.8	67.7	+0.1%	274.6
Cash flow from operating activities	MEUR	81.5	200.6	-59.4%	-66.2	33.1	-300.0%	366.6
Capital expenditure	MEUR	55.9	44.8	+24.8%	26.9	28.3	-4.9%	119.5
Employees (as of end of period; without apprentices)	-	25,390	25,737	-1.3%	25,390	25,737	-1.3%	25,162
Non-current assets	MEUR	1,903.9	1,928.9	-1.3%	1,903.9	1,928.9	-1.3%	1,913.7
Current assets	MEUR	4,430.2	3,954.3	+12.0%	4,430.2	3,954.3	+12.0%	4,284.9
Total shareholders' equity	MEUR	1,277.3	1,164.0	+9.7%	1,277.3	1,164.0	+9.7%	1,344.2
Non-current liabilities	MEUR	1,665.5	1,393.7	+19.5%	1,665.5	1,393.7	+19.5%	1,306.1
Current liabilities	MEUR	3,391.3	3,325.5	+2.0%	3,391.3	3,325.5	+2.0%	3,548.3
Total assets	MEUR	6,334.1	5,883.2	+7.7%	6,334.1	5,883.2	+7.7%	6,198.6
Equity ratio	%	20.2	19.8	-	20.2	19.8	-	21.7
Return on equity	%	14.8	14.8	-	7.7	8.3	-	29.6
Return on investment	%	2.9	2.8	-	1.6	1.5	-	6.2
Liquid funds	MEUR	1,758.6	1,358.2	+29.5%	1,758.6	1,358.2	+29.5%	1,507.1
Net liquidity	MEUR	817.6	863.0	-5.3%	817.6	863.0	-5.3%	945.3
Net debt	MEUR	-427.2	-441.0	+3.1%	-427.2	-441.0	+3.1%	-550.2
Net working capital	MEUR	-121.4	-232.2	+47.7%	-121.4	-232.2	+47.7%	-215.8
Capital employed	MEUR	838.0	765.9	+9.4%	838.0	765.9	+9.4%	772.2
Gearing	%	-33.4	-37.9	+11.9%	-33.4	-37.9	+11.9%	-40.9
EBITDA margin	%	9.1	8.3	-	9.5	8.3	-	9.0
EBITA margin	%	7.5	6.6	-	7.9	6.7	-	7.3
EBIT margin	%	6.7	5.9	-	7.1	6.0	-	6.4
Net income/sales	%	4.7	4.4	-	4.9	4.6	-	4.6
Depreciation and amortization/sales	%	2.5	2.4	-	2.5	2.3	-	2.4

1) Amortization of identifiable assets acquired in a business combination and recognized separately from goodwill amounts to 21,871 TEUR (H1 2016: 20,025 TEUR; 2016: 41,913 TEUR); impairment of goodwill amounts to 0 TEUR (H1 2016: 0 TEUR; 2016: 14,379 TEUR).
All figures according to IFRS. Due to the utilization of automatic calculation programs, differences can arise in the addition of rounded totals and percentages.

KEY FINANCIAL FIGURES OF THE BUSINESS AREAS

HYDRO

	Unit	H1 2017	H1 2016	+/-	Q2 2017	Q2 2016	+/-	2016
Order intake	MEUR	514.0	591.4	-13.1%	204.5	339.4	-39.7%	1,500.3
Order backlog (as of end of period)	MEUR	3,089.5	3,324.8	-7.1%	3,089.5	3,324.8	-7.1%	3,269.6
Sales	MEUR	724.6	807.3	-10.2%	368.7	439.4	-16.1%	1,752.4
EBITDA	MEUR	57.2	71.8	-20.3%	28.1	40.3	-30.3%	167.2
EBITDA margin	%	7.9	8.9	-	7.6	9.2	-	9.5
EBITA	MEUR	43.2	56.0	-22.9%	21.1	32.3	-34.7%	127.6
EBITA margin	%	6.0	6.9	-	5.7	7.4	-	7.3
Employees (as of end of period; without apprentices)	-	7,215	7,683	-6.1%	7,215	7,683	-6.1%	7,260

PULP & PAPER

	Unit	H1 2017	H1 2016	+/-	Q2 2017	Q2 2016	+/-	2016
Order intake	MEUR	1,124.9	916.0	+22.8%	471.6	370.4	+27.3%	1,919.5
Order backlog (as of end of period)	MEUR	1,971.5	1,898.4	+3.9%	1,971.5	1,898.4	+3.9%	1,803.3
Sales	MEUR	990.9	980.4	+1.1%	482.2	522.8	-7.8%	2,094.4
EBITDA	MEUR	97.4	90.4	+7.7%	44.8	44.0	+1.8%	207.7
EBITDA margin	%	9.8	9.2	-	9.3	8.4	-	9.9
EBITA	MEUR	84.7	78.2	+8.3%	38.4	38.0	+1.1%	182.2
EBITA margin	%	8.5	8.0	-	8.0	7.3	-	8.7
Employees (as of end of period; without apprentices)	-	7,926	7,638	+3.8%	7,926	7,638	+3.8%	7,522

METALS

	Unit	H1 2017	H1 2016	+/-	Q2 2017	Q2 2016	+/-	2016
Order intake	MEUR	814.2	768.7	+5.9%	371.5	469.4	-20.9%	1,551.5
Order backlog (as of end of period)	MEUR	1,389.3	1,487.5	-6.6%	1,389.3	1,487.5	-6.6%	1,369.0
Sales	MEUR	792.3	703.6	+12.6%	394.8	370.6	+6.5%	1,598.4
EBITDA	MEUR	82.4	53.1	+55.2%	51.4	29.2	+76.0%	141.7
EBITDA margin	%	10.4	7.5	-	13.0	7.9	-	8.9
EBITA	MEUR	67.3	38.8	+73.5%	44.1	21.5	+105.1%	115.2
EBITA margin	%	8.5	5.5	-	11.2	5.8	-	7.2
Employees (as of end of period; without apprentices)	-	7,454	7,647	-2.5%	7,454	7,647	-2.5%	7,608

SEPARATION

	Unit	H1 2017	H1 2016	+/-	Q2 2017	Q2 2016	+/-	2016
Order intake	MEUR	318.2	290.3	+9.6%	163.7	139.8	+17.1%	597.5
Order backlog (as of end of period)	MEUR	398.8	365.6	+9.1%	398.8	365.6	+9.1%	347.3
Sales	MEUR	271.2	269.9	+0.5%	147.1	142.8	+3.0%	593.8
EBITDA	MEUR	16.5	14.3	+15.4%	8.5	9.4	-9.6%	25.8
EBITDA margin	%	6.1	5.3	-	5.8	6.6	-	4.3
EBITA	MEUR	12.1	10.0	+21.0%	6.3	7.3	-13.7%	17.1
EBITA margin	%	4.5	3.7	-	4.3	5.1	-	2.9
Employees (as of end of period; without apprentices)	-	2,795	2,769	+0.9%	2,795	2,769	+0.9%	2,772

MANAGEMENT REPORT

GENERAL ECONOMIC CONDITIONS

During the reporting period, economic recovery continued in the world's main economic regions.

Due to the continuing solid economic growth of the US economy, the US Federal Reserve (FED) increased the key interest rate once again in mid-June by 0.25%-points to a range between 1.00 and 1.25% and also indicated that there may be a further increase this year. This economic upswing is largely due to the continued high level of private consumption, amounting to approximately 70% of the gross domestic product. At 4.3%, unemployment rate fell to a historic low.

The economy in Europe also noted an upswing during the reporting period, with Spain, Germany, France, and Italy in particular showing strong economic growth. Impulses came from the increased global demand on the one hand, which stimulated exports, and also from rising domestic consumption and investments as a result of the European Central Bank's (ECB) eased monetary policy on the other hand. It left the key interest rate at its record low of 0.0% in spite of the improvement in the economy and slight increase in inflation and will continue its bond purchase program at least until the end of the year.

Growth in the main emerging economies saw a slight upward trend during the reporting period. The Chinese economy showed a slight upturn in economic activity and will reach its growth target of 6.5% for this year according to the government. The economy in Brazil saw a slight increase in the second quarter of 2017 for the first time after eight quarters in succession of declining economic activity. In order to give its economy a further boost, the Brazilian central bank lowered the key interest rate to 10.25%, its lowest figure for over three years. Following years of recession, the Russian economy also saw again some moderate growth.

Source: Research reports by various banks, OECD

MARKET DEVELOPMENT

HYDRO

Global investment and project activity for electromechanical equipment for hydropower plants was weak during the second quarter of 2017 and only a few projects were awarded selectively. Due to the unchanged, difficult market conditions impacted by low electricity and energy prices, many modernization and refurbishment projects were postponed until further notice, especially in Europe. In the emerging markets, particularly in Asia, Africa, and South America, some new hydropower projects are currently in the planning phase. Unchanged satisfactory project activity was noted for pumps.

PULP & PAPER

The international pulp market continued to show positive development in the second quarter of 2017. In view of the continuing high demand for pulp – particularly from Chinese paper producers – accompanied by a stable supply, the price of short-fiber pulp (eucalyptus) increased from around 720 USD per ton at the end of March 2017 to approximately 830 USD per ton as of the end of June 2017. The price of NBSK (Northern Bleached Softwood Kraft Pulp) long-fiber pulp also increased from around 830 USD per ton at the end of March 2017 to approximately 890 USD per ton at the end of June 2017.

Overall, the market for pulping equipment showed satisfactory project activity, particularly for modernization of existing pulp mills. However, no contracts were awarded for construction of greenfield pulp mills.

METALS

In the metal forming sector for the automotive and automotive supplying industry (Schuler), the second quarter of 2017 showed satisfactory project activity; however, there were only a few orders awarded by international car manufacturers and their suppliers. Project and investment activity in the market segment served by Yadon, i.e. the Chinese automotive supplying industry, continued to see favorable development.

Project activity for equipment for the production and processing of stainless steel and carbon steel strip continued to increase slightly during the reporting period, however starting from the very low levels of the past few years. The main investment drivers – especially in Asia and North America – were increasing steel prices on the international markets and the improved financial situation of many steel producers. However, the intensity of competition on the equipment market continued to be challenging in spite of the somewhat improved market environment.

SEPARATION

The global markets for solid/liquid separation equipment slightly improved during the reporting period. While project activity in the chemical, environmental, and mining sectors was satisfactory, demand from the food industry continued to be low. In the animal feed industry, project activity for conventional and special feed remained satisfactory.

BUSINESS DEVELOPMENT

Sales

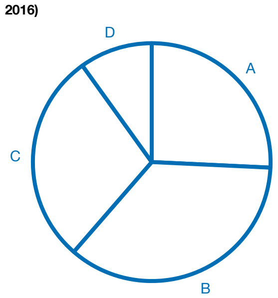
Sales of the ANDRITZ GROUP amounted to 1,392.8 MEUR in the second quarter of 2017 and were thus 5.6% lower than the reference figure for the previous year (Q2 2016: 1,475.6 MEUR). Sales in the HYDRO business area were significantly lower (-16.1%) than in the previous year's reference period due to the decline in order intake in the past few years and the resulting lower sales generation. Similarly, sales in the PULP & PAPER business area were 7.8% below the previous year's reference period, when sales had been positively impacted by processing of a large order for a new pulp mill. Sales in the METALS business area rose by 6.5% compared to the previous year's reference period. While sales in the metal forming sector increased substantially, they declined in the METALS processing sector. Sales in the SEPARATION business area increased slightly (+3.0%) compared to the previous year's reference period.

Sales of the Group amounted to 2,779.0 MEUR in the first half of 2017 and were thus practically at the same level as in the previous year's reference period (H1 2016: 2,761.2 MEUR). The business areas' sales development at a glance:

	Unit	H1 2017	H1 2016	+/-
HYDRO	MEUR	724.6	807.3	-10.2%
PULP & PAPER	MEUR	990.9	980.4	+1.1%
METALS	MEUR	792.3	703.6	+12.6%
SEPARATION	MEUR	271.2	269.9	+0.5%

Sales by business area
H1 2017 in %

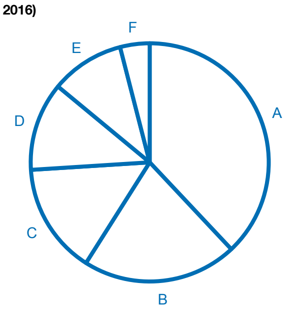
(H1 2016)



A 26 (29) HYDRO
B 35 (36) PULP & PAPER
C 29 (25) METALS
D 10 (10) SEPARATION

Sales by region
H1 2017 in %

(H1 2016)



A 38 (38) Europe
B 21 (21) North America
C 15 (11) China
D 12 (11) Asia (without China)
E 10 (14) South America
F 4 (5) Africa, Australia

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

	H1 2017	H1 2016	Q2 2017	Q2 2016
ANDRITZ GROUP	34	33	35	31
HYDRO	28	26	28	25
PULP & PAPER	43	42	45	41
METALS	23	22	23	20
SEPARATION	50	48	47	46

Order intake

The order intake of the Group amounted to 1,211.3 MEUR in the second quarter of 2017 and was thus 8.2% below the reference figure for the previous year (Q2 2016: 1,319.0 MEUR). The business areas' development in detail:

- HYDRO: The order intake, at 204.5 MEUR, reached a very low level and was thus considerably below the level for the previous year's reference period (-39.7% versus Q2 2016: 339.4 MEUR). This significant decline is due to the unchanged difficult market environment impacted by low electricity and energy prices. Many modernization projects are still postponed or stopped temporarily, particularly in Europe. In addition, there were no new large hydropower projects awarded during the reporting period.

- PULP & PAPER: Order intake reached a favorable level at 471.6 MEUR (+27.3% versus Q2 2016: 370.4 MEUR), with growth in both the capital and service business.

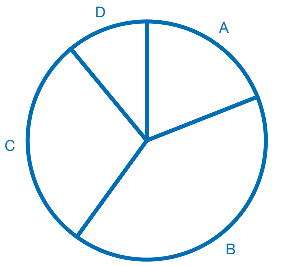
- METALS: Order intake amounted to 371.5 MEUR and was thus 20.9% below the very high level of the previous year's reference period (Q2 2016: 469.4 MEUR), which included several larger orders in the metalforming sector for the automotive and automotive supplying industries. The METALS processing sector saw positive development, with an increased order intake compared to the previous year's reference period.

- SEPARATION: At 163.7 MEUR, order intake developed very favorably (+17.1% versus Q2 2016: 139.8 MEUR). The order intake increased significantly both in the solid/liquid separation and Feed Technologies sectors compared to the previous year.

In the first half of 2017, the order intake of the Group, at 2,771.3 MEUR, was 8.0% higher than the previous year's reference figure (H1 2016: 2,566.4 MEUR). While order intake decreased significantly compared to the previous year in the HYDRO business area (-13.1% versus H1 2016: 591.4 MEUR), it increased sharply in the PULP & PAPER business area (+22.8% versus H1 2016: 916.0 MEUR). Order intake in the METALS (+5.9% versus H1 2016: 768.7 MEUR) and SEPARATION (+9.6% versus H1 2016: 290.3 MEUR) business areas also increased compared to the previous year.

Order intake by business area
H1 2017 in %

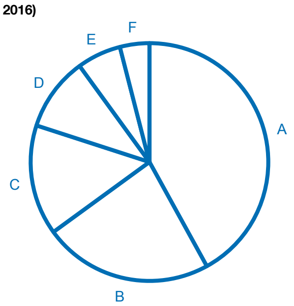
(H1 2016)



A	**19**	(23)	HYDRO
B	**41**	(36)	PULP & PAPER
C	**29**	(30)	METALS
D	**11**	(11)	SEPARATION

Order intake by region
H1 2017 in %

(H1 2016)



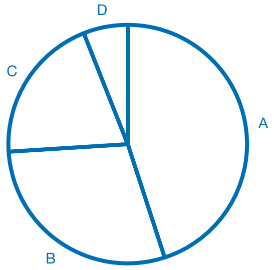
A	**42**	(42)	Europe
B	**23**	(19)	North America
C	**15**	(19)	China
D	**10**	(10)	Asia (without China)
E	**6**	(7)	South America
F	**4**	(3)	Africa, Australia

Order backlog

As of June 30, 2017, the order backlog of the ANDRITZ GROUP amounted to 6,849.1 MEUR (+0.9% versus December 31, 2016: 6,789.2 MEUR).

Order backlog by business area
as of June 30, 2017 in %

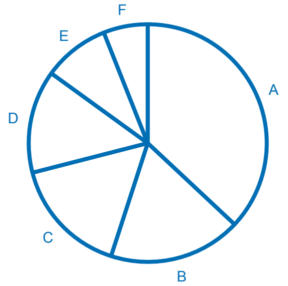
(December 31, 2016)



A	**45**	(48)	HYDRO
B	**29**	(27)	PULP & PAPER
C	**20**	(20)	METALS
D	**6**	(5)	SEPARATION

Order backlog by region
as of June 30, 2017 in %

(December 31, 2016)



A	**37**	(34)	Europe
B	**18**	(17)	North America
C	**16**	(19)	Asia (without China)
D	**14**	(14)	China
E	**9**	(10)	South America
F	**6**	(6)	Africa, Australia

Earnings

In the second quarter of 2017, Group earnings were positively impacted by an extraordinary effect of approximately 25 MEUR, mainly due to the sale of the Schuler Technical Center in Tianjin, China. As a result, the EBITA of 109.9 MEUR was 10.9% higher than the previous year's reference figure (Q2 2016: 99.1 MEUR). Profitability (EBITA margin) increased to 7.9% (Q2 2016: 6.7%). Excluding this extraordinary effect, the EBITA of the Group would have been 86.5 MEUR and the EBITA margin 6.2%. Development by business area:

- In the HYDRO business area, the drop in sales resulted in a decrease in earnings and profitability – the EBITA margin, at 5.7%, was below the figure for the previous year's reference period (Q2 2016: 7.4%).

- In the PULP & PAPER business area, profitability increased to 8.0% – in spite of the decline in sales – and was thus higher than the figure for the previous year's reference period (Q2 2016: 7.3%). Both the capital and service sectors saw positive development.

- The EBITA margin in the METALS business area increased significantly to 11.2% (Q2 2016: 5.8%), which is primarily due to the extraordinary effect described above. Excluding this extraordinary effect, the EBITA margin would have been at a low level of 4.8%. Both the metalforming sector (Schuler) and the METALS Processing sector noticed an unsatisfactory development during the reporting period.

- In the SEPARATION business area, the EBITA margin amounted to 4.3% (Q2 2016: 5.1%).

In the first half of 2017, the Group's EBITA amounted to 207.3 MEUR and was thus well above the figure for the previous year's reference period (+13.3% versus H1 2016: 183.0 MEUR). Profitability increased to a favorable level of 7.5% (H1 2016: 6.6%). Excluding this extraordinary effect, EBITA would have been 182.3 MEUR and the profitability 6.6%.

The financial result decreased significantly to 3.5 MEUR (H1 2016: 8.8 MEUR) as a result of the generally lower interest rate level.

Net income (including non-controlling interests) amounted to 131.8 MEUR (+9.6% versus H1 2016: 120.3 MEUR), 130.8 MEUR of which (H1 2016: 120.2 MEUR) are attributable to the shareholders of the parent company and 1.0 MEUR (H1 2016: 0.1 MEUR) to non-controlling interests.

Net worth position and capital structure

The net worth position and capital structure as of June 30, 2017 remained solid. Total assets increased to 6,334.1 MEUR (December 31, 2016: 6,198.6 MEUR). The equity ratio reached 20.2% (December 31, 2016: 21.7%).

Liquid funds amounted to 1,758.6 MEUR (December 31, 2016: 1,507.1 MEUR), net liquidity amounted to 817.6 MEUR (December 31, 2016: 945.3 MEUR). The increase in liquid funds is mainly due to the issuance of a long-term Schuldscheindarlehen of 400 MEUR at a fixed interest rate in June 2017.

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: 210 MEUR, thereof 171 MEUR utilized
- Surety lines: 6,201 MEUR, thereof 3,010 MEUR utilized

Assets

A	Long-term assets: 30%	1,903.9 MEUR
B	Short-term assets: 44%	2,761.6 MEUR
C	Cash and cash equivalents and marketable securities: 26%	1,668.6 MEUR

Shareholders' equity and liabilities

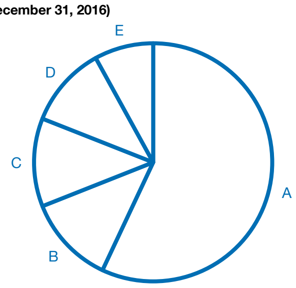
A	Shareholders' equity incl. non-controlling interests: 20%	1,277.3 MEUR
B	Financial liabilities: 15%	953.0 MEUR
C	Other long-term liabilities: 13%	805.0 MEUR
D	Other short-term liabilities: 52%	3,298.8 MEUR

Employees

As of June 30, 2017, the number of ANDRITZ GROUP employees amounted to 25,390 (December 31, 2016: 25,162 employees).

Employees by region as of June 30, 2017 in %

(December 31, 2016)



A	**57** (59)	Europe
B	**12** (12)	China
C	**12** (11)	North America
D	**11** (12)	South America
E	**8** (6)	Asia (without China), Africa, Australia

Major risks during the remaining months of the financial year

General risks

The ANDRITZ GROUP 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 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 risk control systems are effective enough.

For further information on possible corporate risks and the internal controlling and risk management system, please refer to the ANDRITZ annual financial report 2016.

Current risks

The continuing difficult overall economic development (particularly in Europe and individual emerging markets) presents a serious risk for the financial development of the ANDRITZ GROUP. The long term economic impact of the United Kingdom (UK) leaving the European Union (EU) cannot be estimated yet. However, the influence is expected to be low. If economic growth in Europe drops significantly as a result, this could have a negative impact on the business development of the ANDRITZ GROUP because Europe is the most important economic region for the Group, accounting for an average of 35-40% of its total sales. However, the ANDRITZ GROUP's direct business volume in the UK can be categorized as very small.

The medium- to long-term effects that the Trump administration will have on the global economy cannot be estimated at the current 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 thus 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 continuing weakness of economical development in individual emerging markets, particularly in Brazil, may have a negative impact in individual business areas and, subsequently, on the Group's business development.

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 most important economic regions, economic experts expect sustained positive development of the general economic environment for the remaining months of 2017.

The prospects for the ANDRITZ business areas remain largely unchanged compared to the previous quarter. A continuing difficult environment is expected in the HYDRO business area. Many modernization projects, particularly in Europe, are still postponed or stopped temporarily due to the continuing low electricity wholesale prices. Some larger, new hydropower projects, particularly in Southeast Asia and Africa, are currently being planned, but award of these projects is expected only in the medium to long term. In the PULP & PAPER business area, an unchanged, solid market environment is expected overall, especially for modernization of existing plants. From today's perspective, there will be most probably no order award for construction of a new greenfield pulp mill this year. Unchanged satisfactory project activity is also expected for the METALS and SEPARATION business areas.

Based on the results for the first half of 2017 and on the prevailing project activity in the business areas, the ANDRITZ GROUP currently expects a slight decrease in sales. Profitability (EBITA margin) should at least reach the solid level of the previous year.

However, if – contrary to general expectations – the global economy suffers 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 financial provisions that could have a negative effect on the ANDRITZ GROUP's earnings.

HYDRO

IMPORTANT EVENTS

ANDRITZ HYDRO successfully commissioned the Teesta Stage III hydropower plant – one of the largest hydropower plants in India, with an installed capacity of 1,200 MW. The scope of supply comprised the electromechanical equipment including six Pelton units, electrical power systems, as well as installation and commissioning. Generating 5,269 GWh of electrical energy per year, the Teesta Stage III hydropower plant contributes significantly towards covering the electricity demand of India.

ANDRITZ HYDRO received a contract from Tijoá Energética, Brazil, for the retrofit of one out of five generators, a runner repair, and a new HIPASE-E excitation system for the Três Irmãos hydropower plant – the largest on the River Tietê with a total installed capacity of 807.5 MW. It was the first order for the new integrated HIPASE-E excitation system in Brazil. Execution of the contract took only ten months, and the generating set was successfully back in operation by May 2017, providing electricity to the national grid.

IMPORTANT ORDERS

Iberdrola S.A., Portugal, selected ANDRITZ HYDRO for the supply and installation supervision of stoplogs as well as radial and roller gates for three hydropower plants.

ANDRITZ HYDRO signed a new contract for the electromechanical package of the 3 x 12.5 MW Parnai hydropower project, located in the Poonch District of India’s Jammu and Kashmir state. The scope of supply includes a complete “from water to wire” solution. An important part of the contract is the hard metal coating of runner and nozzle assemblies due to the heavy silt content in the Suran River.

The business area received an order from Xuan Thien Ninh Binh Co. Ltd., Vietnam, to supply the bulb turbine units for the Thac Ca 2 (1x 16 MW) and Dong Sung (1x 20 MW) hydropower plants.

Brookfield Renewable Power, Canada, selected ANDRITZ HYDRO for the rehabilitation of a Kaplan unit (26 MW) at Gartshore hydropower station, including new runner, generator rewind, and new components, as well as a monitoring system. ANDRITZ HYDRO has worked very successfully in the past on other rehabilitation projects with Brookfield Renewable Power, e.g. High Falls, Aubrey Falls, and Wells.

The business area will supply the electromechanical equipment for the small hydropower plants Vassenden, Norway, Konor Olon and Kok Say, Kyrgyzstan, Sapidhara, India, and Houay Kapheu, Lao People’s Democratic Republic.

BETC NANALA, Madagascar, awarded ANDRITZ HYDRO an order to supply the electromechanical equipment for the Ambatomanoina micro hydropower plant. The goal of the project is to provide electricity from a micro-hydroelectric power station of 100 kW on the Mananara River, with a transmission line of 9.15 kilometers and a distribution network of 8.32 kilometers. Most of the local population works in agriculture. This is the first Mini-Grid solution project by ANDRITZ HYDRO, representing an important milestone in this new market segment.

PULP & PAPER

IMPORTANT EVENTS

Nippon Paper Chemical Co., Ltd., Japan, started up the first Mechanical Vapor Recompression (MVR) evaporator for magnesium (Mg) sulfite liquor evaporation in Gotsu. This first MVR evaporator installation for sulfite liquor in Japan is demonstrating ANDRITZ's superior know-how in energy-efficient sulfite liquor evaporation.

Hengan Group, China, started up its 13th ANDRITZ tissue machine in Chongqing. The scope of supply included the complete stock preparation plant and automation. Also in China, Hebei Yihoucheng Commodity Co., Ltd. started up a PrimeLineCOMPACT II tissue machine which encompasses a stock preparation system, drives, and automation system in Baoding, Hebei province.

ANDRITZ has signed a contract for acquisition of Paperchine, Inc., a global supplier of highly engineered equipment and services to the paper industry's leading manufacturers. Paperchine and its subsidiaries have approximately 180 employees in total and manufacturing facilities in the USA, Canada, Thailand, and Germany. For ANDRITZ, the acquisition of Paperchine strengthens its presence in North America and adds new products and related service to its offerings for international clients. Closing of the transaction was in June 2017.

ANDRITZ and PulpEye have entered into a cooperation agreement to promote, market, and sell PulpEye analyzer technology exclusively in ANDRITZ PULP & PAPER package offerings. PulpEye is an innovative measurement technology company focusing globally on online pulp quality analysis applications.

IMPORTANT ORDERS

ANDRITZ has received an order from AO Knauf Petroboard to rebuild the KM2 board machine at its mill in Kommunar, Russia. The rebuild includes the supply of a new wire section with three *Prime*Form SW Fourdrinier layers and new *Prime*Flow SW headboxes, one of which contains a *Prime*Profiler F consistency profiling system. ANDRITZ will also supply the main components in the approach flow systems as well as several ModuScreen HB-E screens, a fiber recovery system, a complete new Multi Motor Drive (MMD) for the whole machine, and the complete electrification and automation for the equipment.

In China, ANDRITZ received orders from Shandong Bohui Paper Industry Co., Ltd. to deliver FibreFlow drum pulping, deinking, refining, broke handling, and reject handling systems to the mill in Zibo, Shandong. Jiangsu Bohui Paper Industry Co., Ltd. ordered the world's largest hardwood mechanical pulping system based on the ANDRITZ P-RC-APMP technology, including wood processing equipment and automation as well as a pulping system and a broke system for PM4 at the mill in Dafeng, Jiangsu.

Nine Dragons, China, ordered two identical broke and fine reject handling systems for its Quanzhou and Chongqing mills.

Sappi, South Africa, selected the business area to rebuild bleach plant no 4. at its Saiccor mill and to upgrade the bale finishing line, including a cutter/layboy modification and a new bale press, at its Ngodwana mill.

The first order from Russia for an ANDRITZ FibreFlow Drum was placed by Naberezhnye Chelny Paper Mill. The scope of supply also includes a new reject handling system.

ANDRITZ was selected to replace old cast iron cylinders with 20 new PrimeDry steel cylinders at Blue Paper Strasbourg, France. The cylinders will be the largest steel drying cylinders in the world, with a shell length of 9.4 meters.

In the panelboard sector, the business area received orders to supply new pressurized refining systems from JSC Pavlovsky derevoobrabatyvayuschy kombinat, Russia, Anhui Jiahe Wood Industry Co., Ltd., China, and from Hunton Isolasjon AS, Norway.

METALS

IMPORTANT EVENTS

Schuler received an award in the "100 Orte für Industrie 4.0 in Baden-Württemberg" competition (100 locations for Industry 4.0 in Baden-Württemberg). This competition was seeking out innovative business concepts that achieve success by intelligent interconnection of production and value adding processes. Under the "Smart Press Shop" brand name, Schuler developed solutions that are able to increase process reliability and cost-effectiveness in metal forming.

ANDRITZ acquired a 50.1% stake in the British laser company Powerlase Photonics Ltd. Powerlase specializes in the manufacture of picosecond and nanosecond high-energy, diode-pumped, solid-state lasers. The high-tech company supplies international customers from the photovoltaic, microelectronics, automotive, and aerospace industries. ANDRITZ Soutec has been using high-energy lasers from Powerlase for some time in its globally tried and tested ablation systems for removing coatings from metal, for example in the production of tailored welded blanks in the automotive industry.

On April 5, 2017, Constellium (Neuf-Brisach, France) issued the Final Acceptance Certificate for the continuous annealing and pickling line and finishing line supplied by ANDRITZ METALS. The plant was built on schedule and went into operation earlier than planned.

IMPORTANT ORDERS

Schuler developed a new servo forging press for a prestigious company in the forging sector. The MSE 2000 can produce significantly more parts than conventional forging presses within the same time period. In addition, the service life of the die is extended significantly, while energy consumption by the whole machine is reduced.

The automotive supplier ElringKlinger awarded Schuler an order to deliver a total of eight presses: Six hydraulic monoblock presses with pressing forces between 250 and 320 tons will be used at locations in Hungary and the USA, a 400-ton press from the HPX series is intended for a location in Spain, and a 1,600-ton machine with innovative TwinServo technology for a location in Germany.

The newly introduced Schuler division "Automotive New Markets" saw a successful start: A Chinese car manufacturer ordered two transfer presses (pressing force: 1,600 tons). The goal of the new division is to extend its presence and sales in new markets.

Schuler received orders to supply one blanking line each to a French car manufacturer and a Chinese joint venture. These plants will produce blanks that are then formed into car body and structural components in the next production stage.

ANDRITZ received an order from steel producer ArcelorMittal to supply two new top- and bottom-fired walking beam furnaces for its 80-inch hot strip mill in Burns Harbor, Indiana, USA. The scope of supply includes design, supply, erection supervision, and commissioning of the new furnaces as well as comprehensive training of the operating and maintenance personnel. Each of the two furnaces will heat carbon steel slabs at a rate of 500 tons per hour. The combustion systems include ANDRITZ low-NOx burners that will reduce emissions. The furnaces will reduce overall fuel consumption as a result of their long, unfired pre-heat zones, individual burner control, and improved insulation including efficient ANDRITZ skid insulation. Start-up of the furnaces, which will replace the existing pusher furnaces, is scheduled for 2020.

Risse + Wilke Kaltband GmbH & Co. KG, Germany, selected ANDRITZ METALS to deliver a new cold rolling mill, including electrical and automation equipment. The cold rolling mill with ANDRITZ 4-High technology, which will improve the strip quality and increase productivity, is designed for widths of 750 mm and thicknesses of up to 5 mm. Start-up of the plant is scheduled for the third quarter of 2018.

JSW Steel, India, commissioned ANDRITZ to deliver a continuous pickling line and five hydrochloric acid regeneration plants for several locations.

ArcelorMittal, USA, selected the business area to supply four SOUBLATE ablation plants, which prepare door frame rings for welding in the subsequent SOUTRAC laser welding systems from Soutec. This order is also the first order for SOUBLATE ablation plants in the USA.

Salzgitter Europlatinen GmbH, Germany, ordered a SOUSPEED laser welding plant for the production of highest quality tailored blanks.

SEPARATION

IMPORTANT EVENTS

ANDRITZ SEPARATION has launched SmartLIFT – a lifting device for filter press maintenance which can reduce downtime by up to 40%. This new hydraulic lifting system for overhead filter presses makes it easier, safer, and faster to change filter cloths and is installed over the tie bars for maximum flexibility. It is compatible with all brands and models of overhead filter presses.

For a customer in Germany, the business area successfully installed the world's biggest drum dryer for dewatered sewage sludge to be included in a single drying line. The drum drying system DDS 120 has a water evaporation capacity of 14 tons per hour and facilitates the production of substitute fuel from dried municipal sludge, while significantly reducing fuel consumption and fuel costs. In addition, a significant increase in orders for environment decanters was recorded.

ANDRITZ SEPARATION successfully installed a very large filter press (2.5 m x 2.5 m) for a customer in the mining industry. The first major project of this type was implemented in South America.

IMPORTANT ORDERS

For a customer in the USA, the business area will supply three decanters for soy milk applications.

In India, a producer of vegetable proteins and oils selected the business area to supply a side-bar membrane filter press.

Five different breweries in the USA ordered ANDRITZ separators to produce high-quality beers and ciders. Several orders for separators to be used in the dairy industry as well as for oils ranging from mineral oil to olive oil and coconut oil were received from customers in Brazil, India, Italy, Spain, and Thailand.

In the petrochemicals and polymers industries, ANDRITZ SEPARATION sold several pusher centrifuges to customers in Korea and the USA. An agrochemicals client in Morocco ordered a tilting pan filter.

A soda ash producer in Germany ordered a fluid bed system. Also in Turkey, another soda ash producer ordered auxiliary equipment to enhance performance.

ANDRITZ SEPARATION successfully positioned itself as a major supplier for equipment used in the lithium extraction process, with equipment such as pusher centrifuges, peeler centrifuges, thickeners, horizontal vacuum filters, and dryers. Several orders have been booked in this field.

In the mining and minerals sector, several large orders were placed for gypsum centrifuges in China as ANDRITZ is a market leader in gypsum neutralization technology. A lithium carbonate producer in Chile ordered five horizontal peeler centrifuges.

CONSOLIDATED INCOME STATEMENT

For the first half of 2017 (unaudited)

(in TEUR)	H1 2017	H1 2016	Q2 2017	Q2 2016
Sales	**2,778,998**	**2,761,189**	**1,392,776**	**1,475,553**
Changes in inventories of finished goods and work in progress	88,616	46,933	36,139	26,112
Capitalized cost of self-constructed assets	4,806	1,900	2,378	1,169
	2,872,420	**2,810,022**	**1,431,293**	**1,502,834**
Other operating income	95,881	41,852	62,014	4,046
Cost of materials	-1,421,743	-1,406,725	-692,523	-764,016
Personnel expenses	-863,279	-828,844	-436,517	-418,906
Other operating expenses	-429,777	-386,669	-231,434	-201,022
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)	**253,502**	**229,636**	**132,833**	**122,936**
Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment	-68,063	-66,663	-34,338	-34,117
Impairment of goodwill	0	0	0	0
Earnings Before Interest and Taxes (EBIT)	**185,439**	**162,973**	**98,495**	**88,819**
Result from associated companies	-315	-11	8	60
Interest income	19,436	18,648	8,832	9,869
Interest expenses	-18,822	-14,957	-9,415	-7,180
Other financial result	3,129	5,180	623	5,361
Financial result	**3,428**	**8,860**	**48**	**8,110**
Earnings Before Taxes (EBT)	**188,867**	**171,833**	**98,543**	**96,929**
Income taxes	-57,027	-51,495	-29,803	-29,155
NET INCOME	**131,840**	**120,338**	**68,740**	**67,774**
Thereof attributable to:				
Shareholders of the parent	130,806	120,249	67,846	67,710
Non-controlling interests	1,034	89	894	64
Weighted average number of no-par value shares	102,064,742	102,119,463	102,068,137	102,090,335
Basic earnings per no-par value share (in EUR)	1.28	1.18	0.66	0.67
Effect of potential dilution of share options	124,194	0	174,035	0
Weighted average number of no-par value shares and share options	102,188,936	102,119,463	102,242,172	102,090,335
Diluted earnings per no-par value share (in EUR)	1.28	1.18	0.66	0.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the first half of 2017 (condensed, unaudited)

(in TEUR)	H1 2017	H1 2016	Q2 2017	Q2 2016
NET INCOME	**131,840**	**120,338**	**68,740**	**67,774**
Items that may be reclassified to profit or loss:				
Currency translation adjustments of foreign operations	-40,781	599	-39,326	19,066
Result from available-for-sale financial assets, net of tax	-5,857	-2,673	-7,212	918
Result from cash flow hedges, net of tax	389	3,170	-269	248
Items that will not be reclassified to profit or loss:				
Actuarial gains/losses, net of tax	0	-26,293	0	-26,293
OTHER COMPREHENSIVE INCOME	**-46,249**	**-25,197**	**-46,807**	**-6,061**
TOTAL COMPREHENSIVE INCOME	**85,591**	**95,141**	**21,933**	**61,713**
Thereof attributable to:				
Shareholders of the parent	85,244	95,264	21,693	61,528
Non-controlling interests	347	-123	240	185

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2017 (unaudited)

(in TEUR)	June 30, 2017	December 31, 2016
ASSETS		
Intangible assets	177,660	201,253
Goodwill	557,296	563,427
Property, plant, and equipment	781,706	786,688
Shares in associated companies	6,175	6,830
Other investments	132,043	100,652
Trade accounts receivable	19,761	14,431
Other receivables and assets	48,075	52,922
Deferred tax assets	181,193	187,528
Non-current assets	**1,903,909**	**1,913,731**
Inventories	832,019	736,889
Advance payments made	107,268	105,709
Trade accounts receivable	790,428	840,138
Cost and earnings of projects under construction in excess of billings	669,116	726,307
Other receivables and assets	322,444	404,402
Receivables from current taxes	40,317	35,557
Marketable securities	130,133	110,796
Cash and cash equivalents	1,538,462	1,296,336
Assets held for sale	0	28,723
Current assets	**4,430,187**	**4,284,857**
TOTAL ASSETS	**6,334,096**	**6,198,588**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	104,000	104,000
Capital reserves	36,476	36,476
Retained earnings	1,113,832	1,187,027
Equity attributable to shareholders of the parent	**1,254,308**	**1,327,503**
Non-controlling interests	22,947	16,728
Total shareholders' equity	**1,277,255**	**1,344,231**
Bonds	356,152	359,325
Bank loans and other financial liabilities	486,359	118,433
Obligations under finance leases	18,009	18,880
Provisions	594,653	586,534
Other liabilities	104,388	118,595
Deferred tax liabilities	105,933	104,300
Non-current liabilities	**1,665,494**	**1,306,067**
Bank loans and other financial liabilities	91,454	78,922
Obligations under finance leases	1,064	1,384
Trade accounts payable	430,458	499,737
Billings in excess of cost and earnings of projects under construction	1,128,258	1,117,963
Advance payments received	292,854	256,690
Provisions	482,433	532,317
Liabilities for current taxes	82,121	101,056
Other liabilities	882,705	958,072
Liabilities relating to assets held for sale	0	2,149
Current liabilities	**3,391,347**	**3,548,290**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**6,334,096**	**6,198,588**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the first half of 2017 (unaudited)

(in TEUR)	H1 2017	H1 2016
Earnings Before Taxes (EBT)	**188,867**	**171,833**
Interest result	-614	-3,691
Depreciation, impairment losses, and reversals of impairment losses of fixed and financial assets	68,063	66,663
Result from associated companies	315	11
Changes in provisions	-30,741	-35,565
Gains/losses from the disposal of fixed and financial assets	-23,429	-1,520
Other non-cash income/expenses	-7,287	3,188
Gross cash flow	**195,174**	**200,919**
Changes in inventories	-104,333	-59,409
Changes in advance payments made	-5,169	1,588
Changes in receivables	53,479	32,918
Changes in cost and earnings of projects under construction in excess of billings	38,880	112,451
Changes in advance payments received	42,923	-10,677
Changes in liabilities	-101,714	-103,243
Changes in billings in excess of cost and earnings of projects under construction	34,428	66,895
Change in net working capital	**-41,506**	**40,523**
Interest received	18,344	15,682
Interest paid	-14,420	-10,939
Dividends received	0	1,707
Income taxes paid	-76,065	-47,265
CASH FLOW FROM OPERATING ACTIVITIES	**81,527**	**200,627**
Payments received for asset disposals (including financial assets)	12,637	7,832
Payments made for intangible assets and for property, plant, and equipment	-56,668	-48,585
Payments made for non-current financial assets	-42,240	-2,484
Net cash flow from company acquisitions	-12,696	-98,983
Net cash flow from sale of subsidiaries	23,966	0
Payments received for securities and other current financial assets	67,621	65,335
Payments made for securities and other current financial assets	-40,637	-45,571
CASH FLOW FROM INVESTING ACTIVITIES	**-48,017**	**-122,456**
Cash inflow from issuance of Schuldscheindarlehen	400,000	0
Repurchase of own corporate bonds	0	-2,947
Cash receipts from other financial liabilities	23,467	13,903
Repayments of other financial liabilities	-26,709	-31,206
Dividends paid by ANDRITZ AG	-153,090	-137,802
Purchase of non-controlling interests and payments to former shareholders	-796	0
Dividends paid to non-controlling and former interest holders	-483	-2,446
Purchase of treasury shares	-541	-10,723
CASH FLOW FROM FINANCING ACTIVITIES	**241,848**	**-171,221**

(in TEUR)	H1 2017	H1 2016
CHANGES IN CASH AND CASH EQUIVALENTS	**275,358**	**-93,050**
Changes in cash and cash equivalents resulting from exchange rate fluctuation	-34,349	24,953
Effect of changes in consolidated group on cash and cash equivalents	1,117	0
Cash and cash equivalents at the beginning of the period	1,296,336	1,255,746
Cash and cash equivalents at the end of the period	1,538,462	1,187,649

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the first half of 2017 (unaudited)

	Attributable to shareholders of the parent								Non-controlling interests	Total shareholders' equity
(in TEUR)	Share capital	Capital reserves	Other retained earnings	IAS 39 reserve	Actuarial gains/ losses	Currency trans- lation adjustments	Treasury shares	Total		
BALANCE AS OF JANUARY 1, 2016	**104,000**	**36,476**	**1,144,880**	**48,932**	**-70,534**	**2,852**	**-68,573**	**1,198,033**	**17,543**	**1,215,576**
Net income			120,249					120,249	89	120,338
Other comprehensive income				390	-26,291	916		-24,985	-212	-25,197
Total comprehensive income			**120,249**	**390**	**-26,291**	**916**		**95,264**	**-123**	**95,141**
Dividends			-137,802					-137,802	-601	-138,403
Changes from acquisitions									1	1
Changes in treasury shares			153				-9,897	-9,744		-9,744
Changes concerning share option programs			1,451					1,451		1,451
Changes in consolidation type			9					9		9
STATUS AS OF JUNE 30, 2016	**104,000**	**36,476**	**1,128,940**	**49,322**	**-96,825**	**3,768**	**-78,470**	**1,147,211**	**16,820**	**1,164,031**
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
STATUS 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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2017

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.

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

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

The interim consolidated financial statements as of June 30, 2017 were neither subject to a complete audit nor to an audit review by an auditor.

B) ACCOUNTING PRINCIPLES

The interim consolidated financial statements as of June 30, 2017 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, 2016 have been maintained unmodified. For additional information on the accounting and valuation principles, see the consolidated financial statements as of December 31, 2016, which form the basis for this interim consolidated financial report.

Standards and interpretations that are applicable for the first time

ANDRITZ has not applied new or changed standards for the financial year beginning on January 1, 2017.

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 in effect:

Standard/Interpretation	Title	Effective for annual financial statements for periods beginning on or after	Endorsement by EU
IAS 7	Change: Disclosure initiative	January 1, 2017	planned for Q4 2017
IAS 12	Change: Recognition of deferred tax assets for unrealized losses	January 1, 2017	planned for Q4 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	planned for Q4 2017
IAS 40	Change: Transfers of investment property	January 1, 2018	planned for Q4 2017
IFRS 1, IFRS 12, IAS 28	Annual improvements of IFRS (cycle 2014-2016)	January 1, 2017/ January 1, 2018	planned for Q4 2017
IFRS 2	Change: Classification and measurement of share-based payment transactions	January 1, 2018	planned for Q4 2017
IFRS 4	Change: Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts	January 1, 2018	planned Q4 2017
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018	planned for Q4 2017
IFRS 16	Leasing	January 1, 2019	planned for Q4 2017
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019	planned 2018
IFRS 10 and IAS 28	Change: Sale or contribution of assets between an investor and its associate or joint venture	date is still to be determined	pending

ANDRITZ adopts **IFRS 15** for the fiscal year beginning as of January 1, 2018. All in all, ANDITZ does not expect significant impacts on its consolidated financial statements. **IFRS 9** requires adjustments of the Group's accounting processes and internal controls relating to the presentation of financial instruments, which are yet to be implemented. ANDRITZ is currently assessing the impact on its consolidated financial statements that will result from applying **IFRS 16**. The other new or amended standards mentioned in the table are not expected to have any or any significant impact on the consolidated financial statements.

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 changed as follows:

	2017		2016	
	Full consolidation	Equity method	Full consolidation	Equity method
Balance as of January 1	**139**	**4**	**134**	**3**
Acquisition of companies	4		7	1
Disposal of companies	-1			
New foundations	1			
Additions due to a change in consolidation type	1		1	
Disposals due to a change in consolidation type				
Reorganization	-4		-2	
Balance as of December 31	**140**	**4**	**140**	**4**
Thereof attributable to:				
Domestic companies	6	0	6	0
Foreign companies	134	4	134	4

D) ACQUISITIONS

Paperchine

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

Based on the preliminary purchase price allocation a negative goodwill ("badwill") in the amount of 1.529 TEUR resulted from a favorable purchase ("lucky buy"). After re-examination of the assets acquired and the liabilities assumed, this goodwill was recognized as other operating income.

Further acquisition

In April 2017, the ANDRITZ GROUP acquired a 50.1% stake in the laser company Powerlase Holdings Limited, Crawley, United Kingdom, and its subsidiaries. The high-tech company supplies international customers from the photovoltaic, microelectronics, automotive, and aerospace industries. The acquisition complements the METALS business area's product portfolio. Due to the minor importance for the assets, liabilities, financial position, and profit or loss this company will not be included in the colsolidated 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)	Total
Intangible assets	438
Property, plant, and equipment	5,522
Inventories	9,279
Trade accounts receivable	5,257
Cash and cash equivalents	10
Other assets	550
Trade accounts payable	-3,847
Other liabilities	-2,332
Net assets	**14,877**
Non-controlling interests	0
Goodwill	-1,529
CONSIDERATION TRANSFERRED	**13,347**

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 acquisition has contributed 0 TEUR to the ANDRITZ GROUP's sales and 0 TEUR to the ANDRITZ GROUP's EBIT since the first-time consolidation as of June 30, 2017. If the business had been acquired at the beginning of the financial year 2017, it would have contributed sales in the amount of 20,094 TEUR and EBIT in the amount of 162 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

In the first half of 2017, sales of the ANDRITZ GROUP amounted to 2,778,998 TEUR and were thus 0.6% higher than the reference figure for the previous year (H1 2016: 2,761,189 TEUR). The EBIT reached 185,439 TEUR (H1 2016: 162,973 TEUR).

Total assets of the ANDRITZ GROUP as of June 30, 2017 amounted to 6,334,096 TEUR and were thus 135,508 TEUR higher than the figure as of December 31, 2016 (6,198,588 TEUR). The net working capital as of June 30, 2017 amounted to -121,356 TEUR (December 31, 2016: -215,706 TEUR).

Intangible assets, and property, plant, and equipment

The additions to intangible and tangible fixed assets amounted to 55,920 TEUR in the first half of 2017. Additions from changes in consolidation scope were recognized in the amount of 6,027 TEUR. Amortization of intangible assets and depreciation of property, plant, and equipment amounted to 68,063 TEUR.

Assets held for sale

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

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

Equity

Dividends

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

Treasury shares

During the first half of 2017, 10,000 shares were bought back. 25,842 shares were transferred to ANDRITZ employees as part of employee participation programs.

Non-controlling interests

In the first half of 2017, ANDRITZ acquired a stake of 40.12% in ANDRITZ HYDRO Hammerfest AS and thus, the remaining non-controlling interests in ANDRITZ HYDRO Hammerfest AS and in ANDRITZ HYDRO Hammerfest (UK) Limited. The ANDRITZ GROUP recognized this change in interest rate as an equity transaction.

Bank loans and other financial liabilities

Schuldscheindarlehen

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

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 data 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

Business area data for the first half of 2016

(in TEUR)	HY	PP	ME	SE	Total
Sales	807,323	980,395	703,613	269,858	2,761,189
EBITDA	71,773	90,424	53,129	14,310	229,636
EBITA	56,035	78,163	38,841	9,959	182,998
Capital expenditure	9,447	15,279	15,870	4,228	44,824
Depreciation, amortization, and impairment of intangible assets and of property, plant, and equipment	16,668	15,653	28,582	5,760	66,663
Result from associated companies	0	-11	0	0	-11
Shares in associated companies	0	0	0	0	0

G) NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow from operating activities amounted to 81,527 TEUR in the first half of 2017 (H1 2016: 200,627 TEUR). This decrease was mainly due to project-related changes in the net working capital.

The cash flow from investing activities amounted to -48,017 TEUR in the first half of 2017 (H1 2016: -122,456 TEUR). The change is mainly due to higher capital expenditures in intangible assets and in property, plant, and equipment, as well as to higher investments in financial assets. Opposed to that, however, are lower cash outflows for subsidiaries and inflows from the sale of a subsidiary.

The cash flow from financing activities amounted to 241,848 TEUR in the first half of 2017 (H1 2016: -171,221 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 2017	H1 2016
Net assets	**14,877**	**126,708**
Non-controlling interests	0	0
Goodwill	-1,529	48,197
CONSIDERATION TRANSFERRED	**13,347**	**174,905**
Cash and cash equivalents acquired	-10	-12,549
Payables from purchase price not yet paid (incl. contingent consideration)	-641	-63,373
Fair value of formerly held interests	0	0
NET CASH FLOW FROM COMPANY ACQUISITIONS	**12,696**	**98,983**

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 2017 is based on preliminary figures.

H) FINANCIAL INSTRUMENTS

Valuation techniques

Class	Valuation technique for determining fair values
Derivatives, miscellaneous other investments, Schuldscheindarlehen, bank loans and other financial liabilities, obligations under finance leases, and contingent considerations	The valuation model considers the present value of expected cash flows, discounted by a risk-adjusted discount rate for the 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 this class of financial instruments no quoted market price is available on an active market. Since the fair value cannot be betermined reliably, it is measured at acquisition cost.

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 fair value.

As of June 30, 2017

(in TEUR)	Net book value				Fair value
	Total	Level 1	Level 2	Level 3	Total
Investment securities	53,025	53,025			53,025
Marketable securities	130,133	130,133			130,133
Derivatives	84,277		84,277		84,277
Financial assets measured at fair value	**267,435**				
Shares in non-consolidated companies and other shares	11,756				
Miscellaneous other investments	7,262		7,649		7,649
Trade accounts receivable	810,189				
Other receivables and assets	256,242				
Schuldscheindarlehen	90,000		89,697		89,697
Cash and cash equivalents	1,538,462				
Financial assets measured at amortized costs	**2,713,911**				
FINANCIAL ASSETS	**2,981,346**				
Derivatives	53,563		53,563		53,563
Financial liabilities measured at fair value	**53,563**				
Bonds	356,152	366,143			366,143
Schuldscheindarlehen	399,003		398,299		398,299
Bank loans and other financial liabilities	178,810		182,567		182,567
Obligations under finance leases	19,073		19,624		19,624
Trade accounts payable	430,458				
Contingent considerations	61,221		59,894		59,894
Other liabilities	872,309				
Financial liabilities measured at amortized costs	**2,317,026**				
FINANCIAL LIABILITIES	**2,370,589**				

As of December 31, 2016

(in TEUR)	Net book value				Fair value
	Total	Level 1	Level 2	Level 3	Total
Investment securities	61,571	61,571			61,571
Marketable securities	110,796	110,796			110,796
Derivatives	106,923		106,923		106,923
Financial assets measured at fair value	**279,290**				
Shares in non-consolidated companies and other shares	11,671				
Miscellaneous other investments	7,410		7,917		7,917
Trade accounts receivable	854,569				
Other receivables and assets	270,401				
Schuldscheindarlehen	100,000		99,790		99,790
Cash and cash equivalents	1,296,336				
Financial assets measured at amortized costs	**2,540,387**				
FINANCIAL ASSETS	**2,819,677**				
Derivatives	85,440		85,440		85,440
Financial liabilities measured at fair value	**85,440**				
Bond	359,325	371,289			371,289
Bank loans and other financial liabilities	197,355		201,859		201,859
Obligations under finance leases	20,264		19,034		19,034
Trade accounts payable	499,737				
Contingent considerations	62,207		60,281		60,281
Other liabilities	929,020				
Financial liabilities measured at amortized costs	**2,067,908**				
FINANCIAL LIABILITIES	**2,153,348**				

I) RELATED PARTY TRANSACTIONS

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

There were no 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, 2017

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

STATEMENT BY THE EXECUTIVE BOARD

Statement by the Executive Board, pursuant to section 82 paragraph 4 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 2017

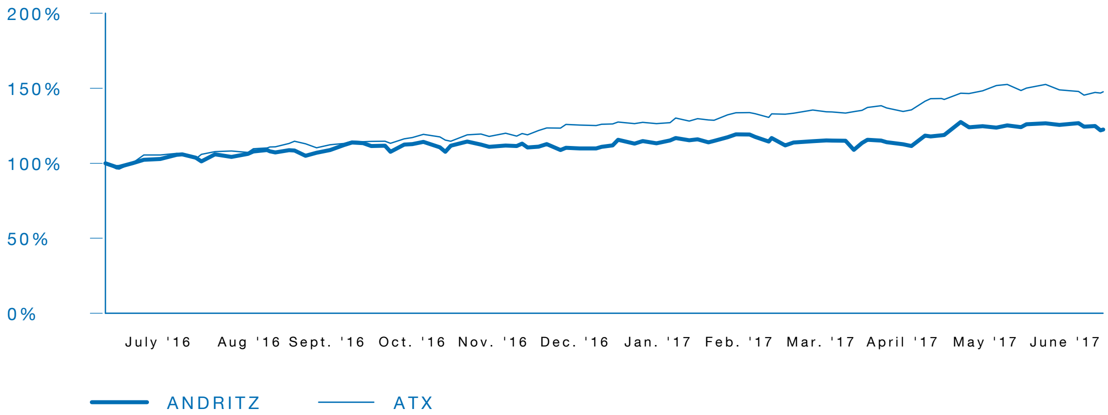
The Executive Board of ANDRITZ AG

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

SHARE

RELATIVE PRICE PERFORMANCE OF THE ANDRITZ SHARE COMPARED TO THE ATX (JULY 1, 2016 - JUNE 30, 2017)



Share price development

During the reporting period, the international financial markets were characterized particularly by economic recovery in the world‘s main economic regions. In this environment, the ANDRITZ share price increased by 10.6% in the first half of 2017. The ATX, the leading share index on the Vienna Stock Exchange, showed a significant increase of 18.6% in the same period due to the high weighting of bank shares and of an oil and gas Group. The highest closing price of the ANDRITZ share was EUR 54.87 (May 9, 2017), and the lowest closing price was EUR 46.89 (March 31, 2017).

Trading volume

The average daily trading volume of the ANDRITZ share (double count, as published by the Vienna Stock Exchange) was 288,440 shares in the first half of 2017 (H1 2016: 401,427 shares). The highest daily trading volume was noted on March 17, 2017 (950,926 shares), the lowest trading volume on January 2, 2017 (75,130 shares).

Investor Relations

During the second quarter of 2017, meetings with institutional investors and financial analysts were held in Berlin, Chicago, Geneva, Graz, Linz, London, Montreal, New York, Paris, Sydney, and Tokyo.

Key figures of the ANDRITZ share

	Unit	H1 2017	H1 2016	Q2 2017	Q2 2016	2016
Highest closing price	EUR	54.87	49.70	54.87	49.70	49.70
Lowest closing price	EUR	46.89	38.69	48.00	40.19	38.69
Closing price (as of end of period)	EUR	52.74	42.47	52.74	42.47	47.70
Market capitalization (as of end of period)	MEUR	5,485.0	4,416.9	5,485.0	4,416.9	4,960.3
Performance	%	+10.6	-2.1	+12.5	-9.1	+5.9
ATX weighting (as of end of period)	%	7.8199	9.9475	7.8199	9.9475	9.0018
Average daily number of shares traded	Share unit	288,440	401,427	307,475	374,452	317,558

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 2017 and 2018 (preliminary)

August 4, 2017	Results for the first half of 2017
November 3, 2017	Results for the first three quarters of 2017
March 2, 2018	Results for the 2017 business year
March 13, 2018	Record date Annual General Meeting
March 23, 2018	Annual General Meeting
March 27, 2018	Ex-dividend
March 28, 2018	Record date dividend
March 29, 2018	Dividend payment
May 3, 2018	Results for the first quarter of 2018
August 2, 2018	Results for the first half of 2018
November 6, 2018	Results for the first three quarters of 2018

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 are 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 ratio
Total shareholders' equity/total assets.

Gearing
Net debt/total shareholders' equity.

HY
Business area HYDRO.

Liquid funds
Cash and cash equivalents plus marketable securities plus Schuldscheindarlehen.

Market capitalization
Number of shares outstanding multiplied by the closing price of the ANDRITZ share.

ME
Business area METALS.

MEUR
Million euros.

Net debt
Interest bearing liabilities including provisions for severance payments, pensions, and jubilee payments less cash and cash equivalents, marketable securities and Schuldscheindarlehen.

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

Net working capital
Non-current receivables plus current assets (excluding marketable securities, cash and cash equivalents 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 certain time period

PP
Business area PULP & PAPER.

Return on equity
Earnings before taxes/total shareholder's equity.

Return on investment
Earnings before interest and taxes/total assets.

Return on sales
Earnings before interest and taxes/sales.

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

SE
Business area SEPARATION.

Sureties
These sureties 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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Produced in-house using firesys

Disclaimer:
Certain statements contained in this report constitute 'forward-looking statements.' These statements, which contain the words "believe", "intend", "expect", and words of a similar meaning, reflect the Executive Board's beliefs and expectations and are subject to risks and uncertainties that may cause actual results to differ materially. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. The company disclaims any obligation to publicly announce the result of any revisions to the forward-looking statements made herein, except where it would be required to do so under applicable law.