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ANNUAL  
**FINANCIAL**  
**REPORT**  
2013

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**ANDRITZ**

# GLOBAL TECHNOLOGY, **EASY LIFE.**

ANNUAL REPORT 2013

**ANDRITZ**

## **Global technology, easy life.**

Life without technical progress is almost unthinkable. Not only does it make everyday life easier, it also brings prosperity and can often even help save lives. There is a great deal of life and progress in ANDRITZ technology – just as there is a lot of ANDRITZ technology in our daily lives. Whether it's electricity from the socket, cardboard packaging, cars, or baby food. The annual report 2013 will show you more than 100 products manufactured by ANDRITZ machines and technologies. Discover just how many ANDRITZ technologies are in your life! The annual report and the financial report 2013 are available for download at [www.andritz.com](http://www.andritz.com) or can be requested as printed copies free of charge by sending an e-mail to [investors@andritz.com](mailto:investors@andritz.com).

## KEY FINANCIAL FIGURES OF THE ANDRITZ GROUP

	Unit	2013	2012*	2011	2010	2009
Order intake	MEUR	5,611.0	4,924.4	5,706.9	4,131.9	3,349.3
Order backlog (as of end of period)	MEUR	7,388.5	6,614.8	6,683.1	5,290.9	4,434.5
Sales	MEUR	5,710.8	5,176.9	4,596.0	3,553.8	3,197.5
Return on sales <sup>1)</sup>	%	1.6	6.5	6.8	6.9	4.6
EBITDA <sup>2)</sup>	MEUR	255.2	418.6	386.2	307.3	218.2
EBITA <sup>3)</sup>	MEUR	164.1	357.8	331.5	257.6	164.1
Earnings Before Interest and Taxes (EBIT)	MEUR	89.8	334.5	312.7	245.5	147.1
Earnings Before Taxes (EBT)	MEUR	80.3	330.4	321.7	247.9	149.6
Net income (including non-controlling interests)	MEUR	53.2	241.3	231.5	177.0	102.9
Net income (without non-controlling interests)	MEUR	66.6	242.7	230.7	179.6	96.8
Cash flow from operating activities	MEUR	93.7	346.5	433.8	704.5	345.7
Capital expenditure <sup>4)</sup>	MEUR	111.4	109.1	77.0	68.8	70.5
Free cash flow <sup>5)</sup>	MEUR	-11.5	239.7	361.1	644.9	285.6
Free cash flow per share <sup>6)</sup>	EUR	-0.1	2.3	3.5	6.2	2.7
Employees (as of end of period; without apprentices)	-	23,713	17,865	16,750	14,655	13,049
Fixed assets	MEUR	1,759.0	1,390.8	1,151.8	858.9	731.4
Current assets	MEUR	3,812.4	3,770.2	3,414.8	3,176.9	2,577.9
Total shareholders' equity <sup>7)</sup>	MEUR	929.5	1,033.8	938.9	794.4	663.5
Provisions	MEUR	993.6	725.4	667.3	582.8	529.9
Liabilities	MEUR	3,648.3	3,401.8	2,960.4	2,658.6	2,115.9
Total assets	MEUR	5,571.4	5,161.0	4,566.6	4,035.8	3,309.3
Equity ratio <sup>8)</sup>	%	16.7	20.0	20.6	19.7	20.0
Return on equity <sup>9)</sup>	%	8.6	32.0	34.3	31.2	22.5
Return on investment <sup>10)</sup>	%	1.6	6.5	6.8	6.1	4.4
Liquid funds <sup>11)</sup>	MEUR	1,517.0	2,047.8	1,814.5	1,594.7	1,082.1
Net liquidity <sup>12)</sup>	MEUR	893.1	1,285.7	1,400.6	1,177.0	677.9
Net debt <sup>13)</sup>	MEUR	-585.0	-1,053.3	-1,198.4	-992.0	-505.3
Net working capital <sup>14)</sup>	MEUR	-539.4	-631.8	-639.2	-556.1	-104.3
Capital employed <sup>15)</sup>	MEUR	443.5	-36.5	-128.6	-86.0	285.9
Gearing <sup>16)</sup>	%	-62.9	-101.9	-127.6	-124.9	-76.2
EBITDA margin	%	4.5	8.1	8.4	8.6	6.8
EBITA margin	%	2.9	6.9	7.2	7.2	5.1
EBIT margin	%	1.6	6.5	6.8	6.9	4.6
Net income/sales	%	0.9	4.7	5.0	5.0	3.2
ROE <sup>17)</sup>	%	5.7	23.3	24.7	22.3	15.5
EV <sup>18)</sup> /EBITDA	-	15.1	9.0	5.0	7.8	6.5
Depreciation and amortization/sales	%	2.8	1.6	1.6	1.7	2.0

\* Adjusted to comply with IAS 19 and IFRS 3

1) EBIT (Earnings Before Interest and Taxes)/sales 2) Earnings Before Interest, Taxes, Depreciation, and Amortization 3) Earnings Before Interest, Taxes, Amortization of identifiable assets acquired in a business combination and recognized separately from goodwill at the amount of 70,529 TEUR (2012: 22,942 TEUR), and impairment of goodwill at the amount of 3,800 TEUR (2012: 397 TEUR) 4) Additions to intangible assets and property, plant and equipment 5) Cash flow from operating activities minus capital expenditure plus payments from the sale of intangible assets and property, plant and equipment 6) Free cash flow/total number of shares 7) Total shareholders' equity including non-controlling interests 8) Shareholders' equity/total assets 9) EBT (Earnings Before Taxes)/shareholders' equity 10) EBIT (Earnings Before Interest and Taxes)/total assets 11) Cash and cash equivalents plus marketable securities plus loans against borrowers' notes 12) Liquid funds plus fair value of interest rate swaps minus financial liabilities 13) Interest bearing liabilities including provisions for severance payments, pensions, and jubilee payments minus cash and cash equivalents, marketable securities and loans against borrowers' notes 14) Non-current receivables plus current assets (excluding marketable securities, cash and cash equivalents as well as loans against borrowers' notes) minus other non-current liabilities and current liabilities (excluding financial liabilities and provisions) 15) Net working capital plus intangible assets and property, plant and equipment 16) Net debt/total shareholders' equity 17) ROE (Return On Equity): net income/total shareholders' equity 18) EV (Enterprise Value): market capitalization as of end of year minus net liquidity

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

The Schuler Group was consolidated into the consolidated financial statements of the ANDRITZ GROUP as of March 1, 2013. No proforma figures are available for the reference periods of the previous years.

## KEY FINANCIAL FIGURES OF THE BUSINESS AREAS

<b>HYDRO</b>	<i>Unit</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Order intake	MEUR	1,865.4	2,008.4	2,096.2	1,870.1	1,693.9
Order backlog (as of end of period)	MEUR	3,722.4	3,842.3	3,671.4	3,376.0	2,894.5
Sales	MEUR	1,804.8	1,836.8	1,772.9	1,579.2	1,378.0
EBITDA	MEUR	176.8	182.4	174.3	139.9	120.9
EBITDA margin	%	9.8	9.9	9.8	8.9	8.8
EBITA	MEUR	146.9	153.2	147.7	118.0	100.5
EBITA margin	%	8.1	8.3	8.3	7.5	7.3
Capital expenditure	MEUR	44.5	56.7	44.3	41.5	44.5
Employees (as of end of period; without apprentices)	-	7,445	7,469	7,285	6,530	5,993

<b>PULP &amp; PAPER</b>	<i>Unit</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Order intake	MEUR	1,907.7	1,962.4	2,694.1	1,415.5	940.0
Order backlog (as of end of period)	MEUR	1,885.6	2,018.1	2,230.0	1,107.3	782.6
Sales	MEUR	2,005.3	2,282.2	1,884.9	1,129.8	925.5
EBITDA	MEUR	-11.5	156.2	138.1	99.9	41.7
EBITDA margin	%	-0.6	6.8	7.3	8.8	4.5
EBITA	MEUR	-35.7	134.6	120.4	82.2	17.2
EBITA margin	%	-1.8	5.9	6.4	7.3	1.9
Capital expenditure	MEUR	26.0	36.4	22.5	18.4	17.8
Employees (as of end of period; without apprentices)	-	7,136	6,774	6,208	5,046	4,418

<b>METALS</b>	<i>Unit</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Order intake	MEUR	1,233.8	324.2	318.6	302.7	296.2
Order backlog (as of end of period)	MEUR	1,427.6	451.4	465.1	521.0	564.1
Sales	MEUR	1,311.0	404.7	372.7	340.2	473.4
EBITDA	MEUR	76.6	28.0	21.5	21.2	23.2
EBITDA margin	%	5.8	6.9	5.8	6.2	4.9
EBITA	MEUR	53.5	25.1	19.4	18.4	20.5
EBITA margin	%	4.1	6.2	5.2	5.4	4.3
Capital expenditure	MEUR	32.7	2.6	1.8	1.9	2.0
Employees (as of end of period; without apprentices)	-	6,300	1,129	945	937	971

The Schuler Group was consolidated into the consolidated financial statements of the ANDRITZ GROUP as of March 1, 2013 and is part of the METALS business area. No proforma figures are available for the reference periods of the previous years.

<b>SEPARATION</b>	<i>Unit</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Order intake	MEUR	604.1	629.4	598.0	543.6	419.2
Order backlog (as of end of period)	MEUR	352.9	303.0	316.6	286.6	193.3
Sales	MEUR	589.7	653.2	565.5	504.6	420.6
EBITDA	MEUR	13.3	52.0	52.3	46.3	32.4
EBITDA margin	%	2.3	8.0	9.2	9.2	7.7
EBITA	MEUR	-0.6	44.9	44.0	39.0	25.9
EBITA margin	%	-0.1	6.9	7.8	7.7	6.2
Capital expenditure	MEUR	8.2	13.4	8.4	5.5	6.2
Employees (as of end of period; without apprentices)	-	2,832	2,493	2,312	2,143	1,667

The FEED & BIOFUEL business area was allocated to the SEPARATION business area as of January 1, 2013. The reference figures for the previous years were adjusted accordingly.

# COMPANY PROFILE AND MARKET DEVELOPMENT 2013

## **ANDRITZ GROUP**

The ANDRITZ GROUP is a globally leading supplier of plants, equipment, and services for hydropower stations, the pulp and paper industry, the metalworking and steel industries, and solid/liquid separation in the municipal and industrial sectors. The publicly listed, international technology Group is headquartered in Graz, Austria, and has a staff of around 23,700 employees. ANDRITZ operates over 220 production sites as well as service and sales companies all around the world. The ANDRITZ GROUP ranks among the global market leaders in all four of its business areas. One of the Group's overall strategic goals is to strengthen and extend this position. At the same time, the company aims to secure the continuation of profitable growth in the long term.

## **ANDRITZ HYDRO**

The business area supplies electromechanical equipment for hydropower stations. With over 170 years of accumulated experience and more than 30,000 turbines installed totaling approximately 420,000 megawatts of output, the business area is one of the world's leading system suppliers, offering the complete product portfolio, including turbines, generators, and additional equipment of all types and sizes: "from water to wire" for small-scale and large hydropower stations up to outputs of more than 800 megawatts per turbine unit. ANDRITZ HYDRO is also well-positioned in the growing maintenance, refurbishment, and upgrade market for existing hydropower plants. Pumps (for water transport, irrigation, and applications for various industries) and turbo-generators for thermal power stations are also part of the business area.

### **Market development 2013**

Global project activity for electromechanical equipment in hydropower plants was satisfactory in 2013. It was, however, still substantially below the very high level of the previous years. Investment activity was generally subdued. In addition to modernization and rehabilitation projects in Europe and North America, some new hydropower projects in the emerging markets, particularly in South America and Africa, were implemented or in the planning phase. Project activity for small-scale hydropower plants and pumps was satisfactory.

## **ANDRITZ PULP & PAPER**

The business area is a leading global supplier of equipment, systems, and services for the production and processing of all types of pulps, paper, tissue, and cardboard. The technologies cover the processing of logs, annual fibers, and waste paper; the production of chemical pulp, mechanical pulp, and recycled fibers; the recovery and reuse of chemicals; the preparation of paper machine furnish; the production of paper, tissue, and board; the calendaring and coating of paper; as well as treatment of reject materials and sludge. The service range includes modernization, rebuilds, spare and wear parts, service and maintenance, as well as machine transfer and second-hand equipment. Biomass, steam, and recovery boilers, gasification plants for energy production, flue gas cleaning plants, production equipment for biofuel (second generation) and biomass pelleting, biomass torrefaction, plants for the production of nonwovens, dissolving pulp, plastic films, and panelboards (MDF), and recycling plants are also allocated to the business area.

### **Market development 2013**

The international pulp market saw a positive development in 2013. Rising demand, particularly from international tissue and packaging paper producers, combined with a stable supply, led to a price increase in long-fiber pulp (Northern Bleached Softwood Kraft) from around 790 US dollars per ton at the beginning of January to approximately 860 US dollars per ton by the end of 2013. The price of short-fiber pulp (for example eucalyptus) also increased slightly – rising from around 750 US dollars per ton at the beginning of January to approximately 780 US dollars per ton at the end of 2013. Whereas the first half of the year was marked by substantial price increases as a result of steady demand from China, there was an oversupply in the second half of the year as a result of new capacities, which caused a slight drop in prices. The market for pulp mill equipment developed very well. A number of larger modernization orders were awarded. There was also substantial investment and project activity for new pulp mills. However, the competitive environment for pulp equipment suppliers remained challenging with high price pressure, particularly on large projects.

## **ANDRITZ METALS**

The business area is one of the leading global suppliers of complete lines for the production and processing of stainless steel. These lines consist of equipment for cold rolling, heat treatment, surface finishing, strip coating and finishing, punching and deep drawing, and for the regeneration of pickling acids. In addition, the business area supplies lines for the production and processing of carbon steel and non-ferrous metal strip, resistance welding equipment for the metalworking industry, as well as turnkey furnace systems for the steel, copper, and aluminum industries. The Schuler Group, Germany, fully consolidated as from March 1, 2013, is also part of the business area. As global market and technology leader in metal forming, Schuler supplies machines, production lines, dies, process know-how, and services for the entire metalworking industry. Its customers include car manufacturers and their suppliers, as well as companies in the forging, household equipment, packaging, energy,

and electrical industries. Schuler is also the market leader in coin minting technology and offers system solutions for the aerospace and railway industries.

#### Market development 2013

Despite signs of slowing demand, project activity in the metal forming sector for the automotive and automotive supply industries was satisfactory in 2013. Due to continuing overcapacities in the international steel and stainless steel industry and the weak demand for stainless steel caused by the general economic climate, project activity for plants and equipment for the production and processing of stainless steel strip remained very low during the reporting period. In contrast, there was satisfactory investment activity for industrial furnaces.

#### **ANDRITZ SEPARATION**

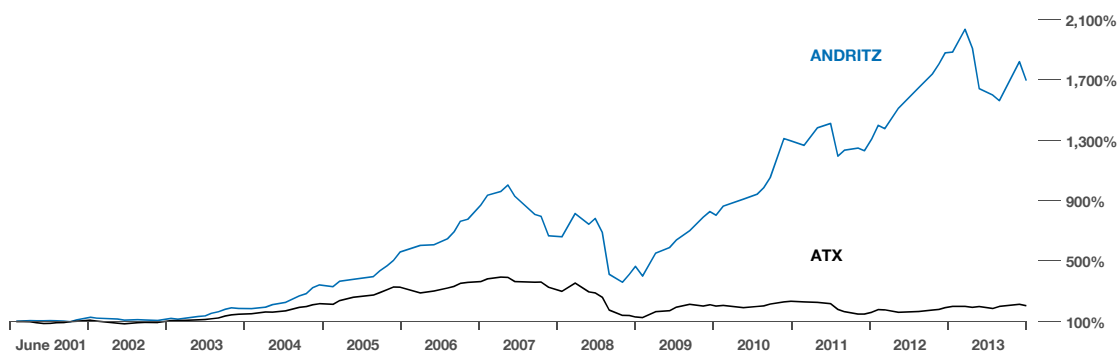
The business area is one of the leading suppliers of technologies and services in the solid/liquid separation and thermal treatment areas for the environmental sector (particularly treatment of municipal and industrial wastewater), for mining and mineral processing, the chemical industry, and for the food and beverages industries. The extensive portfolio covers centrifuges, filters, thermal systems, screens, thickeners, separators, and conveying equipment. The business area also supplies equipment for the production of animal feed pellets and for biomass torrefaction. Based on 150 years of experience, ANDRITZ SEPARATION is a long-term service partner for the entire life cycle of customer plants, including delivery of wear and spare parts, modernization, and process optimization.

#### Market development 2013

Investment activity for solid/liquid separation equipment saw varied development in the industries served by ANDRITZ during 2013. Driven by the growth in population in the emerging markets and tightening environmental restrictions, investment and project activity in the municipal and industrial wastewater treatment sectors, and in the food industry, was relatively solid. Low project activity and several project delays and cancellations were noted in the chemical industry. Investment activity in the mining industry also continued to be low. Project activity in the animal feed industry was good – both for mill expansion projects and new greenfield plants

# THE ANDRITZ SHARE

## Relative share price performance of the ANDRITZ share versus the ATX since the IPO



### Key figures of the ANDRITZ share

	Unit	2013	2012	2011	2010	2009
Earnings per share	EUR	0.64	2.35	2.25	1.74	0.95
Dividend per share	EUR	0.50*	1.20	1.10	0.85	0.50
Payout ratio	%	78.1	51.1	49.0	48.9	52.9
Equity attributable to shareholders per share	EUR	8.71	9.76	8.73	7.34	6.14
Highest closing price	EUR	54.94	50.00	37.75	34.46	20.97
Lowest closing price	EUR	37.93	32.83	27.41	19.75	8.75
Closing price at end of year	EUR	45.59	48.54	32.05	34.40	20.26
Market capitalization (as of end of period)	MEUR	4,741.4	5,048.2	3,333.2	3,577.1	2,107.0
Performance	%	-9.4	+47.9	-7.6	+67.8	+111.0
ATX weighting (as of end of period)	%	9.5082	10.6128	9.2705	7.3211	4.3701
Average daily number of shares traded	Share unit	316,787	345,754	568,138	461,546	614,058

\* Proposal to the Annual General Meeting

### Basic data of the ANDRITZ share

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

### Financial calendar 2014

February 28, 2014	Results for the business year 2013
March 21, 2014	Annual General Meeting
March 25, 2014	Ex-dividend
March 27, 2014	Dividend payment
May 6, 2014	Results for the first quarter of 2014
August 7, 2014	Results for the first half of 2014
November 6, 2014	Results for the first three quarters of 2014

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](http://www.andritz.com/share).

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# MANAGEMENT REPORT

## GENERAL ECONOMIC CONDITIONS

The global economy saw a differentiated temporal development in the course of 2013. While the first six months were marked by stabilization at a low level, there were clear indications of economic recovery in all of the world's major economic regions in the second half of the year.

In the USA, the economy already started to recover in the first quarter of 2013, however from a low level. Private consumption, which is the main contributor to GDP growth in the USA, rose constantly throughout the year. The unemployment rate fell, reaching a level of around 7% at the end of the year. The US Federal Reserve announced that it will not be changing its expansive monetary policy for the time being and will continue to purchase bonds in the amount of 85 billion US dollars every month.

Economic development remained at a low level in Europe for a very long time in 2013, with some countries in the Euro zone actually recording negative growth in their GDP in the first six months of 2013. However, there was a significant economic recovery in the Euro zone as from the third quarter of 2013, which led to improvements of the economic performance in most of the peripheral countries in Southern Europe. In view of the still weak economic development, the unchanging high unemployment rate in the Euro zone, and the continuing low inflation, the ECB announced that it will not be changing its monetary policy.

In the emerging markets, economic development showed some regional differences. While the economy in China recovered in the course of the year, most of the other emerging countries, particularly Brazil and India, remained at an unchanged low level. High cash outflows by foreign investors have partly led to massive devaluation of the local currencies. The more restrictive interest policy pursued by the central banks as a result of this development had a strongly negative effect on consumer and investment behavior.

Source: Research reports by various banks, OECD

## BUSINESS DEVELOPMENT

### Notes

- All figures according to IFRS.
- Due to the utilization of automatic calculation programs, differences can arise in the addition of rounded totals and percentages.
- MEUR = million euros; TEUR = thousand euros
- The Schuler Group was consolidated into the consolidated financial statements of the ANDRITZ GROUP as of March 1, 2013. No proforma figures are available for the reference periods of the previous years. Schuler is part of the METALS business area.
- The FEED & BIOFUEL business area was allocated to the SEPARATION business area as of January 1, 2013. The reference figures for the previous year were adjusted accordingly.

### Changes in consolidated companies/acquisitions

The following companies were not, or only partially, included in the ANDRITZ GROUP's consolidated financial statements for the 2012 business year:

- ANDRITZ (Wuxi) Nonwoven Technology Co. Ltd., China: drylaid nonwovens systems, especially for applications in the textile and hygiene sectors
- ANDRITZ Bricmont Inc.: furnace systems to the aluminum and steel industries
- ANDRITZ HYDRO Hammerfest: technologies for energy generation from tidal currents occurring in coastal waters
- Soutec AG, Switzerland: laser and rolled seam resistance welding systems for the metalworking industry
- ANDRITZ Environmental Solutions Inc.: flue gas cleaning systems for utilities and power generating industries
- Royal GMF-Gouda (Goudsche Machinefabriek): drying systems for the food and chemical industries, and the environmental sector of municipalities

The following companies were included in the consolidated financial statements of the ANDRITZ GROUP for the first time in 2013:

- Shanghai Shende Machinery Co. Ltd., China (80%): plants for the production of animal/aquatic feed pelleting equipment for mid-size capacities
- Schuler Group, Germany (more than 95%): machines, production lines, dies, process know-how, and services for the metalworking industry
- FBB Engineering GmbH, Germany (100%): burners and fireproof systems for the steel and aluminum industries
- ANDRITZ MeWa GmbH, Germany (100%): engineering and service of shredding and crushing machines and complete recycling plants
- Modul Group, Germany (further 50%): machines and plants for panelboards (MDF); the first 50% have been acquired in 2010

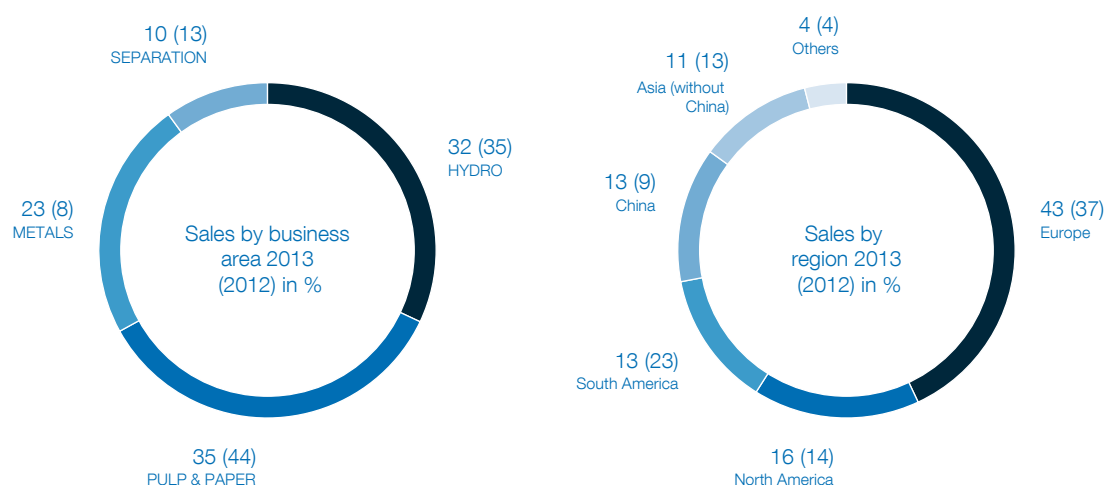
- Certain assets of Vandenbroek Thermal Processing B.V., Netherlands: thermal sludge drying technologies
- Certain assets of Hydro Engineering, France: equipment for small-scale hydropower plants
- Warkaus Works Oy, Finland (further 50%): manufacturing for recovery boilers and power plant boilers

The initial accounting for the companies/business areas acquired in 2013 was based on preliminary figures.

### Sales

Sales of the ANDRITZ GROUP amounted to 5,710.8 MEUR in the 2013 business year and were thus 10.3% higher than the reference figure for the previous year (2012: 5,176.9 MEUR). This increase is due to consolidation of the Schuler Group, which has contributed 966.6 MEUR to sales in the reporting period since its first-time consolidation as of March 1, 2013; excluding Schuler, sales would have declined by 8.4%. The business areas' development in detail:

- HYDRO: At 1,804.8 MEUR, sales were only slightly below the level of the previous year (-1.7% versus 2012: 1,836.8 MEUR).
- PULP & PAPER: Sales amounted to 2,005.3 MEUR and were thus much lower than the very high value for 2012, which included sales from the execution of two large pulp mill projects (-12.1% versus 2012: 2,282.2 MEUR).
- METALS: Due to consolidation of the Schuler Group, the business area saw a significant rise in sales to 1,311.0 MEUR (2012: 404.7 MEUR); excluding Schuler, the business area's sales would have declined by 14.9% compared to the previous year.
- SEPARATION: At 589.7 MEUR, sales were 9.7% below the level of the previous year (2012: 653.2 MEUR).



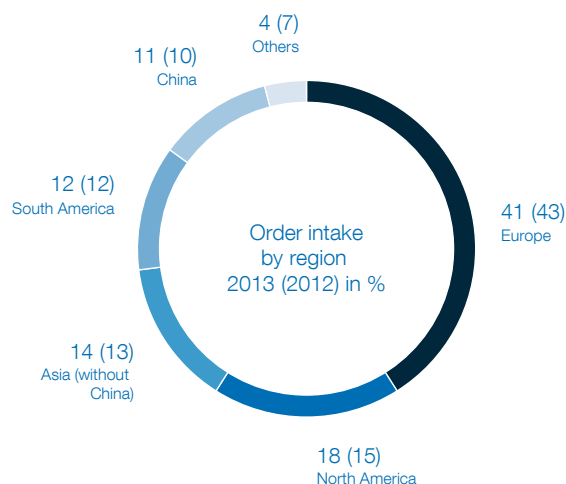
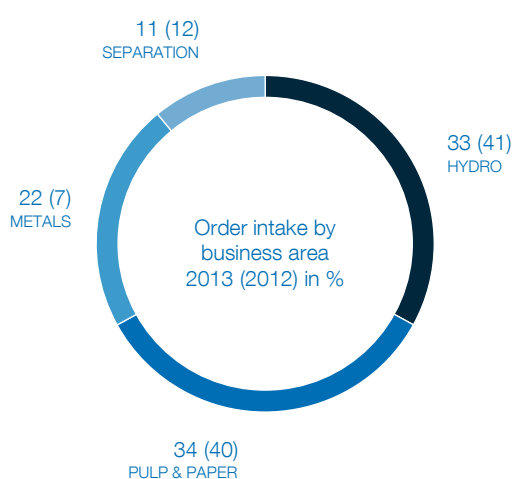
### Share of service sales of Group and business area sales in %

	2013	2012
ANDRITZ GROUP	28	26
HYDRO	25	24
PULP & PAPER	36	27
METALS	17	6
SEPARATION	39	37

### Order intake

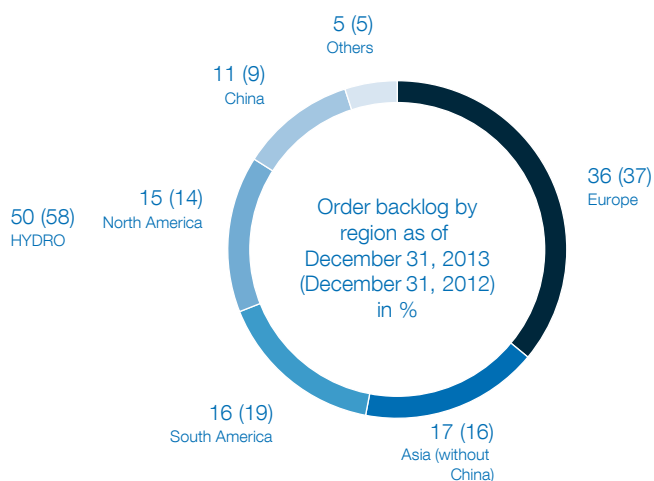
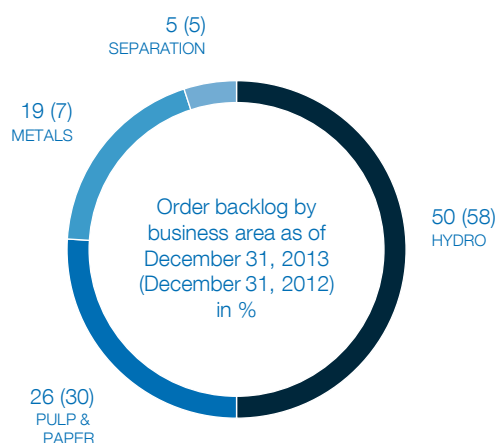
The order intake for the Group rose by 13.9% compared to the previous year, reaching 5,611.0 MEUR in 2013 (2012: 4,924.4 MEUR), with the Schuler Group contributing 868.4 MEUR; excluding Schuler, order intake would have declined by 3.7%. The order intake in the HYDRO business area declined compared to the very high level of the previous year. In the PULP & PAPER business area, order intake was satisfactory and came close to the high level of the previous year. The business areas' development in detail:

	2013 (MEUR)	2012 (MEUR)	+/- (%)
HYDRO	1,865.4	2,008.4	-7.1
PULP & PAPER	1,907.7	1,962.4	-2.8
METALS	1,233.8	324.2	+280.6
SEPARATION	604.1	629.4	-4.0



### Order backlog

As of December 31, 2013, the order backlog of the ANDRITZ GROUP amounted to 7,388.5 MEUR, an increase of 11.7% compared to the end of last year (December 31, 2012: 6,614.8 MEUR). The Schuler Group contributed 1,040.4 MEUR to the order backlog.



### Earnings

The depreciation and amortization of intangible assets and of property, plant, and equipment amounted to 161.6 MEUR in 2013 (2012: 83.7 MEUR). This increase is attributable in particular to regular depreciation at Schuler (around 20 MEUR) and additional amortization of intangible assets in connection with the acquisition of Schuler (around 40 MEUR).

The EBITA of the Group amounted to 164.1 MEUR in the reporting period and was thus significantly below the reference figure for the previous year (2012: 357.8 MEUR). The EBITA margin declined to 2.9% (2012: 6.9%). The main reasons for this substantial decline are as follows:

- PULP & PAPER: high provisions and expenses for cost overruns in connection with supplies to a pulp mill in South America

- SEPARATION: additional costs for the market launch of a new product series in China
- METALS: provisions and expenses (approximately 40 MEUR) for continuation of the growth and strategy project initiated by Schuler to integrate the Müller Weingarten company.

In 2013, the Group's goodwill impairment amounted to 3.8 MEUR (2012: 0.4 MEUR). Impairment charges for intangible and tangible assets reached 7.1 MEUR (2012: 0.5 MEUR).

The financial result declined significantly in the 2013 business year to -9.5 MEUR (2012: -4.1 MEUR). This decline is mainly due to interest expenses related to the corporate bond issue in 2012, as well as the general drop in interest rates and the reduced average net liquidity compared to the reference period of last year.

The tax rate amounted to 33.7% in 2013 (2012: 27.0%); this significant increase is mainly due to changes in tax rates and higher non-allowable withholding taxes (see Notes to the consolidated financial statements – chapter H, 8. Income taxes).

The net income of the Group amounted to 53.2 MEUR (2012: 241.3 MEUR), 66.6 MEUR of which are attributable to the shareholders of the parent company and -13.4 MEUR to non-controlling interests. The negative income development in companies where ANDRITZ does not have a 100% stake is mainly due to a company in Brazil that recorded a substantial loss in 2013 due to deteriorations in the results of some projects.

#### Net worth position and capital structure, issue of a corporate bond

Due to consolidation of the Schuler Group, total assets of the ANDRITZ GROUP as of December 31, 2013 increased to 5,571.4 MEUR (December 31, 2012: 5,161.0 MEUR). Thus, the equity ratio declined to 16.7% (December 31, 2012: 20.0%).

Liquid funds (cash and cash equivalents plus marketable securities plus loans against borrowers' notes) amounted to 1,517.0 MEUR as of December 31, 2013 (December 31, 2012: 2,047.8 MEUR). Due to the acquisition of Schuler, net liquidity (liquid funds plus fair value of interest rate swaps minus financial liabilities), at 893.1 MEUR, significantly declined compared to the reference figure for the previous year (December 31, 2012: 1,285.7 MEUR).

In addition to the high net liquidity, the ANDRITZ GROUP also has the following credit and surety lines for performance of contracts, down payments, guarantees, etc. at its disposal:

- Credit lines: 320 MEUR, thereof 108 MEUR utilized
- Surety lines: 5,454 MEUR, thereof 2,993 MEUR utilized

#### Assets

<b>1,851.2</b> MEUR	<b>2,333.2</b> MEUR	<b>1,387.0</b> MEUR
Long-term assets: 33%	Short-term assets: 42%	Cash and cash equivalents and marketable securities: 25%

#### Shareholders' equity and liabilities

<b>929.5</b> MEUR	<b>634.4</b> MEUR	<b>652.0</b> MEUR	<b>3,355.5</b> MEUR
Shareholders' equity incl. minority interests: 17%	Financial liabilities: 11%	Other long-term liabilities: 12%	Other short-term liabilities: 60%

#### Capex and cash flow

Investments in tangible and intangible assets amounted to 111.4 MEUR (2012: 109.1 MEUR) and focused mainly on workshop modernizations as well as the construction and/or purchase of office buildings.

The cash flow from operating activities, at 93.7 MEUR, was significantly below the previous year's reference figure (2012: 346.5 MEUR). This decrease was mainly due to project-related changes in the working capital and increased advance tax payments.

### Further important key figures at a glance

	<i>Unit</i>	<b>2013</b>	<b>2012*</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Return on sales <sup>1)</sup>	%	1.6	6.5	6.8	6.9	4.6
EBITDA <sup>2)</sup>	MEUR	255.2	418.6	386.2	307.3	218.2
Earnings Before Interest and Taxes (EBIT)	MEUR	89.8	334.5	312.7	245.5	147.1
Earnings Before Taxes (EBT)	MEUR	80.3	330.4	321.7	247.9	149.6
Net income (including non-controlling interests)	MEUR	53.2	241.3	231.5	177.0	102.9
Free cash flow <sup>3)</sup>	MEUR	-11.5	239.7	361.1	644.9	285.6
Free cash flow per share <sup>4)</sup>	EUR	-0.1	2.3	3.5	6.2	2.7
Return on equity <sup>5)</sup>	%	8.6	32.0	34.3	31.2	22.5
Return on investment <sup>6)</sup>	%	1.6	6.5	6.8	6.1	4.4
Net debt <sup>7)</sup>	MEUR	-585.0	-1,053.3	-1,198.4	-992.0	-505.3
Net working capital <sup>8)</sup>	MEUR	-539.4	-631.8	-639.2	-556.1	-104.3
Capital employed <sup>9)</sup>	MEUR	443.5	-36.5	-128.6	-86.0	285.9
Gearing <sup>10)</sup>	%	-62.9	-101.9	-127.6	-124.9	-76.2

\* Adjusted to comply with IAS 19 and IFRS 3

1) EBIT (Earnings Before Interest and Taxes)/sales 2) Earnings Before Interest, Taxes, Depreciation, and Amortization 3) Cash flow from operating activities minus capital expenditure plus payments from the sale of intangible assets and property, plant and equipment 4) Free cash flow/total number of shares 5) EBT (Earnings Before Taxes)/total shareholders' equity 6) EBIT (Earnings Before Interest and Taxes)/total assets 7) Interest bearing liabilities including provisions for severance payments, pensions, and jubilee payments minus cash and cash equivalents, marketable securities and loans against borrowers' notes 8) Non-current receivables plus current assets (excluding marketable securities, cash and cash equivalents as well as loans against borrowers' notes) minus other non-current liabilities and current liabilities (excluding financial liabilities and provisions) 9) Net working capital plus intangible assets and property, plant and equipment 10) Net debt/total shareholders' equity

### Important acquisitions

In February 2013, takeover of the majority interest in Schuler AG, Germany, received full and unrestricted approval from the anti-trust authorities responsible. The closing took place with assignment of the shares in February 2013. The first-time consolidation of Schuler in the ANDRITZ GROUP's consolidated financial statements took place as of March 1, 2013. As technological and global market leader in metalforming, Schuler supplies machines, production lines, dies, process know-how, and services for the entire metalworking industry.

ANDRITZ acquired an 80% stake in Shanghai Shende Machinery Co. Ltd., China. The company supplies process technologies including the entire equipment and service portfolio for animal/aquatic feed pelleting plants. This acquisition strengthens the SEPARATION business area's product and service portfolio and further enhances its position in the growth markets in China and other Asian countries.

In addition, ANDRITZ acquired the following companies in 2013:

- FBB Engineering GmbH, Germany: burners and fireproof systems for the steel and aluminum industries
- ANDRITZ MeWa GmbH, Germany: engineering and service of shredding and crushing machines and complete recycling plants
- Modul Group, Germany: machines and plants for panelboards (MDF)
- Certain assets of Vandenbroek Thermal Processing B.V., Netherlands: thermal sludge drying technologies
- Certain assets of Hydreco Engineering, France: equipment for small-scale hydropower plants
- Warkaus Works Oy, Finland (further 50%): Production site for pressure parts of steam boilers

## RISK MANAGEMENT

ANDRITZ has a Group-wide risk management system whose goal is to identify nascent risks and to implement countermeasures. This is an important element in the active corporate management.

### Main characteristics of the internal controlling and risk management system for the accounting process

The Executive Board is responsible for implementing a suitable internal controlling and risk management system for the accounting process and financial reporting. For this purpose, binding Group-wide regulations and guidelines/policies have been implemented for the major business risks and also for the financial reporting process.

The accounting department, which includes financial accounting, reports directly to the Executive Board. Suitable organizational measures ensure that the legal requirements to make complete, correct, timely, and orderly entries in the books and other records are met best possible. The entire process from procurement to payment is subject to strict rules and guidelines/policies that are intended to avoid any essential risks these

processes may entail. These measures and rules include separation of functions, signature authorization matrices, and signatory powers for authorizing payments applying on a collective basis only and restricted to a small number of employees, as well as system-supported checks by the financial software in use (SAP).

By using a standardized, Group-wide financial reporting system, together with instant occasion-driven reporting on major events, the Executive Board is informed constantly on all relevant issues. The Supervisory Board is informed in Supervisory Board meetings held at least once every quarter on the current business development, including operative planning and the medium-term strategy of the Group, with direct and immediate information being provided to the Supervisory Board in special cases. In addition, the Chairman of the Supervisory Board receives a monthly report including the key financial figures with comments. Internal control and risk management are among the topics dealt with in audit committee meetings.

Internal Auditing, set up as a management administrative department, audits individual processes or Group companies according to an audit plan defined for each year, and also in special cases.

### **Financial risks**

Monitoring and management of financial risks are integral parts of the accounting and controlling activities within the ANDRITZ GROUP. Continuous controlling and regular reporting are intended to increase the likelihood of identifying major risks at an early stage and allow countermeasures to be implemented if necessary. Still, there is no guarantee that the monitoring and risk control systems are sufficiently effective.

The essential risks for business development of the ANDRITZ GROUP relate above all to the Group's dependence on the general economic development and the development of the industries it serves, to whether major orders are received and to the risks they entail, and to whether adequate sales are realized from the high order backlog. Unexpected increases in costs during order processing create an additional risk; this is relevant particularly for so-called turnkey or EPC orders, where the Group – in addition to the delivery of equipment and systems from ANDRITZ – also assumes responsibility for engineering, civil work, and erection of a facility. Projects of this kind entail high risks relating to cooperation with third parties contracted to carry out engineering, civil, and construction work (for example the risk of strikes or failure by sub-suppliers to meet deadlines). Delays and difficulties in achieving the guaranteed performance parameters in the plants that ANDRITZ supplies also present substantial risks during the project execution.

Ongoing disruptions and strikes on the site of a pulp mill in South America, for which ANDRITZ is supplying production technology and equipment on EPC basis, may lead to further delays in the start-up. This could make further financial provisions necessary in addition to the provisions already made.

A possible malfunction in the components and systems supplied by ANDRITZ can have serious consequences for individuals and on tangible assets. The financial difficulties and the continuing difficult overall economic development (particularly in Europe and the USA) also constitute a serious risk for the ANDRITZ GROUP's financial development. In addition, a possible slowdown in economic activities in the emerging markets also presents a risk to the Group. The weak economy may lead to delays in the execution of existing orders and to the postponement or cancellation of existing projects. Cancellation of existing contracts could have an adverse effect on the ANDRITZ GROUP's order backlog, which, in turn, would have a negative impact on utilization of the Group's manufacturing capacities.

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

As of March 1, 2013, the Schuler Group was included in the consolidated financial statements of the ANDRITZ GROUP. As Schuler derives approximately 80% of its sales from the automotive industry, which is generally exposed to strong cyclical fluctuations, this acquisition may possibly also have an adverse impact on the development of sales and earnings of the ANDRITZ GROUP. In addition, financial provisions for continuation of the "Growing Together" growth and strategy program initiated by Schuler in 2011 to integrate the Müller Weingarten company will also have a negative impact on the earnings of Schuler and thus, on the earnings of the ANDRITZ GROUP in 2014.

For the majority of orders, the risk of payment failure by customers is reduced by means of bank guarantees and export insurance. However, the possibility of individual payment failures, which can have a substantial negative impact on earnings development of the Group, cannot be excluded. There is also comprehensive insurance against risks related to deliveries to countries with medium to high political risks. However, the conditions for complete coverage are not always met. A quarterly credit risk reporting (CRR) to the Executive Board has been

introduced in order to ensure transparency with respect to financial risks on projects and to implement immediate countermeasures, if necessary. It shows the maximum expected unsecured credit risk for external orders with a value of over one million euros, which are billed according to percentage of completion (POC), as well as customer ratings.

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

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

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

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

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

Due to the current sovereign debt crisis in the European Union, there is a risk of complete or partial collapse of the euro zone and of a possible breakdown of the euro currency system linked to it. Most likely, this would have a negative effect on the financial, liquidity, and earnings development of the ANDRITZ GROUP. The currency devaluations at the beginning of 2014 in many emerging countries, such as Brazil, Argentina, Indonesia, Turkey, and India, as well as the subsequent increase in key interest rates by the respective central banks could also lead to a significant weakening of the economy in these countries, which may have a negative impact on the development of sales, earnings, and order intake of the ANDRITZ GROUP. In addition, projects in these countries may be canceled or delayed because currency devaluations have made many projects considerably more expensive for customers and thus substantially reduced their profitability.

For further information, see consolidated financial statements – chapter M, risk management.

### **Non-financial risks**

In the manufacturing sector, precise planning, high commitment, and flexibility of employees are essential factors to ensure short lead times and on-time production. Internally, ANDRITZ uses flextime contracts and a contingent of temporary workforce to cope with cyclical fluctuations and peaks in workload. Also, the fluctuations in capacity utilization that are typical for project-related business can be better balanced with a targeted make-or-buy strategy and best possible utilization of the company's own manufacturing capacities. At the same time, process-relevant key components for ANDRITZ plants and products are mainly manufactured and assembled in the Group's own workshops. Simple components, on the other hand, are largely purchased from qualified suppliers, who are subjected to regular quality and adherence to delivery checks. The ANDRITZ GROUP tries to balance out fluctuations in capacity utilization as best possible by allocating orders to the various sites around the world and locally by using temporary workforce.

In Human Resources, special emphasis was placed on developing and strengthening the necessary staff resources. This includes interesting career opportunities, incentive plans, and focused management training pro-

grams. The ANDRITZ GROUP seeks to attract well-trained and highly qualified employees, and also tie them to the company in the long-term. High quality standards in the selection process guarantee that the most suitable candidates are recruited for the positions becoming vacant. As part of succession planning, internal candidates for succession to key positions are identified in order to have enough candidates available in the short and medium term. Local development programs for special target groups (for example employees working in sales or management staff in the manufacturing department) were intensified in many of the Group's companies. The expectation that many business opportunities for the ANDRITZ GROUP will also emerge in China in the future was taken into account by focusing on management training in Chinese companies. In developing the programs, care is taken wherever possible to combine these training courses with globally organized personnel development programs. Several so-called "change projects" were conducted to optimize reorganization measures in individual divisions and business areas.

#### Impact of exchange rate fluctuations

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

#### Non-financial performance indicators

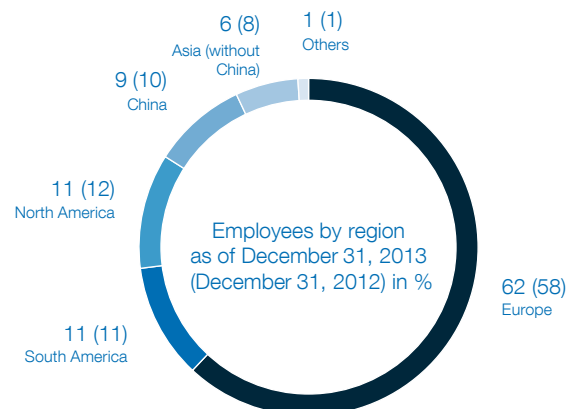
##### Manufacturing

Due to the very good development in order backlog, 2013 was marked by high capacity utilization rates in the manufacturing sector. At the ANDRITZ manufacturing locations, the figures budgeted were achieved and even exceeded at many locations.

Investments in the manufacturing sector concentrated on quality and efficiency measures in production capacities both in the emerging markets of Asia and Eastern Europe (particularly in China, Hungary, and Slovakia) and at the existing locations in Central Europe and North America.

##### Human resources

At the end of 2013, the ANDRITZ GROUP had a total of 23,713 employees (+32.7% versus December 31, 2012: 17,865 employees). This sharp increase is mainly due to the consolidation of Schuler (5,219 employees as of end of 2013).



Global Human Resources is responsible for coordination and planning of the main personnel processes throughout the Group. The main targets of these processes are to fill vacancies in key positions and to offer attractive career and development opportunities for future managers and specialists. The "Dual Career Path for Engineers" project was extended to other sectors of the company and locations. Attractive vocational training opportunities were organized for specialists in the technical sector. Diversity has always played an important role in selecting new employees.

Safety-relevant measures were implemented once again in 2013 for the employees at ANDRITZ locations, where the staff received instruction and information on such topics as health in the workplace, occupational safety, waste separation, and fire protection. In addition, the company offered courses and events dealing with health-related topics for its employees. Together with external experts for health management, anonymous employee surveys were conducted on the subject of psychological stress in the workplace. The participation rate was high, and the survey provided interesting suggestions for improvement. Substantial efforts are currently being made to implement these suggestions.



### Environmental matters

Environmental protection measures focused particularly on energy-saving by insulating building façades and pipework, modernizing heating systems, and reducing standby times in manufacturing plants. A reduction in CO<sub>2</sub> emissions was achieved by continuously replacing older trucks with new vehicles using hybrid technology, and gradually introducing energy-saving and cost-efficient lighting for offices and manufacturing workshops. Important investments were also made in continuous replacement of the machine outfit, which led to an increase in energy efficiency at the manufacturing locations. A project to generate solar energy is being prepared at the Graz location in Austria. Numerous initiatives in waste prevention, waste separation, and recycling at the ANDRITZ locations worldwide also made an important contribution towards environmental protection.

## RESEARCH AND DEVELOPMENT

The ANDRITZ GROUP's expenses for Research and Development (R&D) activities for new processes and products amounted to 92.6 MEUR in the reporting period (2012: 78.2 MEUR). Furthermore, there are a number of contract-related developments, often in collaboration with customers, to further strengthen and extend ANDRITZ's technology leadership.

In the development of innovative technologies, sustainability has always been an important driver at ANDRITZ. The main focus of R&D activities thus concentrates on environmental protection, enhancing the energy efficiency of machines and systems, and on new technologies for clean power generation that use resources economically. In detail, the business areas' R&D programs include the following:

In order to further increase the efficiency of hydropower, ANDRITZ HYDRO has developed new technical solutions for hydropower stations to provide balancing power to stabilize the electrical grid and also an innovative concept for small, decentralized pumped storage power stations. These small plants with a capacity of around 50 megawatts are designed for installation close to wind farms and other volatile power sources. They not only enable generation and storage of power where it is needed, but also solve the growing problem of volatility before the power is fed to the grid. ANDRITZ HYDRO is currently working on simulation and optimization of this technology as part of the "Green Storage Grid" project by Vienna University of Technology, Austria. In this project, solutions are being sought over the coming four years together with other research institutions and partners in the energy industry to find a better combination of different types of renewable energy to form a more stable power supply.

In other research projects, ANDRITZ HYDRO is collaborating closely with the Universities of Technology in Graz and Vienna, Austria, in Lausanne and Zurich, Switzerland, and with the École Polytechnique de Montréal, Canada, on several projects conducting basic research on automation and control engineering, as well as on generator and turbine technology to guarantee that hydropower plants can be used even more flexibly. The main focus here lies on creating fast and stable system solutions, as well as a long plant lifetime.

The R&D work by the PULP & PAPER business area focuses also on optimizing the processing of fiber for all types of pulps (chemical, mechanical, and recycled fiber) to make the production of pulp and paper more efficient, more sustainable, and more profitable. This applies to both wood and non-wood fibers.

Particularly in softwood kraft cooking, ANDRITZ has enhanced pulp yield and improved the properties of softwood kraft pulp. Here, the ANDRITZ technology converts white liquor sulfide to polysulfide. As a further benefit of the ANDRITZ process, the customer can reduce the specific energy required to refine the pulp prior to the paper/board making process.

Another innovation is the pre-hydrolysis kraft cooking for the production of viscose (dissolving) pulp, which is used as a substitute for cotton, particularly in the textile industry. Large amounts of water can be saved by producing textile pulp from wood chips.

Another major focus of the PULP & PAPER R&D efforts is the efficient generation of power from sustainable, renewable fuel sources in the pulp and paper industry and also for utilities or municipal power plants. ANDRITZ research focuses on a new design of large circulating fluidized bed boilers with electricity output of more than 100 megawatts to replace fossil fuels to a large extent by renewable, sustainable biomass. ANDRITZ is supplying the first biomass boiler plant of this kind to the combined heat and power plant of Fortum Värme, Sweden, which is scheduled for start-up in 2015.

The R&D program for gasifiers continued in 2013, achieving significant improvements in environmental protection in the gas-to-gas conversion process. Much of this development work was conducted at the gasification plant of a major pulp producer in Finland, where the gas produced replaces fossil fuels. ANDRITZ has also become a forerunner in developing bubbling fluidized bed gasification and gas cleanup processes for biomass-to-

liquid, chemicals, and synthetic gas applications. The latest breakthrough in 2013 was the production of renewable gasoline from synthesis gas produced by gasifying wood pellets. This is the outcome of an extensive R&D program conducted in a large pilot plant in the USA.

In an effort to lower the emissions from recovery boilers and improve the efficiency of the boiler's conversion of renewable fuel (black liquor) into steam energy, the ANDRITZ HERB (High Energy Recovery Boiler) was developed further. Improved materials allowing higher steam pressures and temperatures are an essential part of this development. R&D work is also underway to develop very large boilers capable of recovering the cooking liquors of mills producing over 1.5 million tons of pulp per year.

ANDRITZ evaporation technology has been further developed to meet the challenges of large, highly integrated pulp mills. One example is the development to utilize diluted black liquor from the cooking process at a higher temperature to maximize the net production of green energy in pulp mills. Another development is a patented hybrid evaporator to lower the overall energy consumption.

ANDRITZ has also developed processes and equipment to utilize the waste from paper mills that is normally sent to landfill. For mills producing pulp from recycled fiber, the volume of rejects (metals, plastics, ink residues, and other contaminants) is high. Some rejects can be recycled or used as a fuel source if effectively separated and recovered. For example, at Stora Enso's Ostrołęka mill, Poland, ANDRITZ has installed a unique plant for treatment of rejects from a new recycled fiber line.

In the nonwovens sector, ANDRITZ has developed an innovative solution to save raw materials by recovering the edge trim of nonwoven fabrics and returning it to the production process. With this solution, nonwovens producers can reuse up to 10% of the raw material previously lost. In the wetlaid process, as much as 100% of the edge trim can be recycled to the stock preparation process if chemical pulp fibers are used. ANDRITZ is also expanding its technologies for producing lighter nonwoven fabrics, achieving a reduction in the standard weight of wipes by up to 30%, with a corresponding saving in the feedstock used.

The business area is developing a process in which CO<sub>2</sub> will be used as a raw material for the production of bio-plastics. The project is using CO<sub>2</sub> from flue gases to grow the bacteria or algae needed in bio-plastics production. The process is currently being tested in a pilot plant in cooperation with partners from research and industry.

The service sector focuses on increasing the profitability of customer plants by making significant savings in wash water, chemicals, and energy. Among other solutions, ANDRITZ has developed innovative screw shafts for screw presses, which enable operation at the same production capacity and outlet dryness at reduced speed. This speed reduction results in energy savings at the screw press of more than 30%.

Recycling processes and process optimizations are the focus of sustainable innovations by ANDRITZ METALS. The business area has developed a new mini secondary copper smelter for recycling of electronic scrap (mainly from computers and cell phones). Only some 15-20% of the electronic scrap collected worldwide is recycled to date in large-scale smelters, with the rest going to landfill or being incinerated. Due to the low investment costs, the new ANDRITZ METALS technology enables more customers to recycle copper alloys and refine the copper scrap, while also recycling non-precious and precious metals.

In order to reduce energy consumption and optimize product quality, ANDRITZ METALS is also working on the development of an automatic control system for continuous annealing furnaces used in the production process for sheet steel. The aim of this project is to achieve fully automatic control of furnace operations. Implementation of the automated mechanism allows precise temperature control, which enhances the properties of the final product and reduces energy losses substantially.

Another project is pursuing the goal of a higher zinc recycling rate from steel scrap and providing zinc-free steel scrap for high-quality applications in the foundry industry. The energy used and the associated CO<sub>2</sub> emissions are much lower compared to the established processes. This innovative process technology for dezincing of steel scrap from processing of thin sheet in the automotive industry is based on leaching with sulfuric acid. The dissolved zinc in the form of zinc sulfate can be further processed in zinc smelters and in the chemical industry. The zinc-free steel scrap contains less than 3% residual zinc and is a high-quality raw material for foundry applications. The project has already been tested successfully in collaboration with the Technical University in Clausthal, Germany, and it is planned to implement the process for the first time in 2014 in form of a demonstration plant at the Volkswagen press shop in Emden, Germany.

Schuler is also focusing on optimizing energy efficiency in new and further development of metal forming technologies. This is demonstrated by the introduction of an energy performance certificate for Schuler products, for example stating the specific energy consumption of plants depending on their operating mode and production rate. As a result, systematic comparisons of machines are possible, and plant operators can achieve efficient energy management.

A new development of Schuler's MSD 2-250 servo press provides considerably lower energy consumption and higher output at the same pressing force. The new servo press uses up to 30% less energy than its predecessor, which is due in particular to the more compact design and an optimized driving unit.

Schuler presented a new 16,000-kilonewton drop forging press with ServoDirect technology at its location in Erfurt, Germany. The press offers shorter pressure dwell times and higher production capacity. With this innovative plant, built for an automobile manufacturer, the slide motion is now also freely programmable in the forging industry.

In addition, Schuler presented a new energy-efficient blanking line with laser. In order to cut the blanks during continuous strip feed, the DynamicFlow technology developed for this purpose uses three laser cutting heads operating in parallel. This ensures a particularly high yield. The laser cutting plant offers exceptional flexibility by processing a variety of materials and producing blanks of different shapes.

ANDRITZ SEPARATION has focused its R&D activities on reducing the energy consumption of centrifuges for the environmental and industrial sectors. For example, an entirely new design for the D-type decanter centrifuge is being developed in order to increase the energy efficiency by up to 40%.

With the launch of the new TurboJet weir plate, ANDRITZ offers an innovative power recovery system for decanter centrifuges, enabling power consumption reduction of up to 30% and featuring an exceptionally maintenance-friendly design. The Turbojet weir plate can also be retrofitted to existing ANDRITZ or competitors' decanter centrifuges.

A new nozzle separator was launched in 2013. The centrifuge is designed for operation at forces up to 6,400 times the acceleration of gravity. Successful test runs on classification of ultrafine particles to reduce energy costs took place at an important mineral producer's facility.

The business area has developed a dynamic cross-flow filtration plant for several applications in the beverage industry. With this system, the yield of the process can be increased and thermal energy can be saved as a result of mechanical dewatering at higher viscosities.

As one of the first companies worldwide, ANDRITZ has developed a torrefaction technology to turn biomass into a fuel that has similar characteristics to coal. Torrefaction is the process of roasting biomass in an oxygen-free environment, thereby increasing its calorific value by up to 20%. The gas released in the torrefaction process is used to generate the heat needed to operate the plant. As a result of this innovative process, coal-fired power stations can replace a substantial amount of fossil fuel with torrefied biomass and achieve a significant reduction in CO<sub>2</sub> emissions without having to adapt existing equipment. Another advantage resulting from the increased energy density of torrefied biomass is the reduction in transport volume. So far, ANDRITZ has started up two torrefaction pilot plants for different capacities in Europe – one in Sdr. Stenderup, Denmark, and one in Frohnleiten, Austria. After positive performance tests and achievement of all performance guarantees, the demonstration plant in Austria was sold to an operating consortium. ANDRITZ will continue to use the plant for testing purposes.

In the feed technologies sector, ANDRITZ has further developed a modern process control system for the animal feed industry. The system includes production, batching, and finished product handling software.

#### **Significant events after December 31, 2013**

The status of the global economy and the financial markets did not change substantially in the period between the date of the balance sheet and publication of the present report. The determining factors will continue to be the sovereign debt crises in Europe and the USA, as well as the unchanged moderate development of the global economy.

Regarding cost overruns related to the supply of production technologies and equipment for a pulp mill in South America, provisions that are necessary from today's point of view have been made. However, there is no guarantee that there will be no need for further provisions in the coming quarters.

## OUTLOOK

According to estimates by economic experts, the global economy will continue to show moderate growth in 2014, with a slight upward trend expected for Europe and North America in the course of the year. In the emerging markets, however, economic development is expected to show a regionally different development: While the Chinese economy is expected to pick up further, development in Brazil and India will continue to stagnate in 2014. The currency devaluations at the beginning of 2014 in emerging countries such as Brazil, Argentina, Indonesia, Turkey, and India, as well as the subsequent increase in key interest rates by the respective central banks could lead to a significant weakening of the economy in these countries.

In view of this anticipated overall economic environment, no substantial change is expected in project activity compared to the satisfactory level of 2013 in the markets served by the ANDRITZ GROUP. This also applies to large projects: Some major projects are likely to be awarded in the hydro and pulp sectors. In 2014, ANDRITZ will also continue the group-wide organizational and capacity adjustments that began in the previous year. This applies above all to the Schuler Group, acquired in 2013, where the "Growing together" growth and strategy project, initiated in 2011 for integration of Müller Weingarten, will be continued. The focus of the operational measures planned is directed towards concentration on core competencies, on expanding business in the service sector, and on strengthening the company's presence in growth markets, particularly in emerging markets. As planned, further financial provisions of approximately 15 MEUR will probably be made in the 2014 business year.

On the basis of these expectations, the order backlog, and the sales contribution by acquisitions not included in the full twelve-month period in 2013, the ANDRITZ GROUP expects a slight rise in sales in 2014 compared to the previous year. The net income of the Group is currently expected to see a significant improvement compared to the previous year, which was negatively impacted by significant declines in earnings in the PULP & PAPER and SEPARATION business areas. If the global economy, however, suffers further severe setbacks in 2014, this could have a negative impact on the ANDRITZ GROUP's business development. As a result, there may be a need for organizational and capacity adjustments, and thus possibly for financial provisions that could have a negative effect on earnings.

## SHARES AND SHAREHOLDER STRUCTURE

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

The capital stock of ANDRITZ AG as of December 31, 2013 amounted to 104,000,000 EUR. As a result, the proportionate amount of the capital is 1.00 EUR per no-par value share.

There are no limitations concerning the voting rights or the transfer of shares. Slightly less than 30% of the shares are held by Certus Beteiligungs-GmbH, whose Managing Director is Wolfgang Leitner, President and CEO of ANDRITZ AG.

At present, there is no authorized capital. On March 22, 2013, the Annual General Meeting authorized the Executive Board to buy back up to 10% of the total shares of ANDRITZ AG between October 1, 2013 and March 31, 2016. At the beginning of October 2013, the Executive Board of ANDRITZ AG decided to make use of this authorization and buy back shares between November 12, 2013 and March 31, 2016. There are no powers of the members of the Executive Board – especially regarding the possibility to issue or buy back shares – that do not result directly from legal stipulations.


As far as is known to the company, there are no holders of shares with special controlling rights. Employees exercise their voting rights directly. Furthermore, there are no stipulations regarding the appointment and removal of the members of the Executive Board and the Supervisory Board, nor regarding modifications of the company's Articles of Association that do not result directly from legal stipulations.

There are no significant agreements in which the company participates that would become effective, change, or end in the event of a change in the control of the company following a takeover bid. According to the terms of the ANDRITZ corporate bond 2008-2015 issued in February 2008 and the ANDRITZ corporate bond 2012-2019 issued in July 2012, all holders of a bond forming part of the issue shall, in the event of a change of control by a large new shareholder taking place and this change of control leading to a substantial impairment of the issuer's ability to fulfill its obligations from the bonds forming part of the issue, be entitled to accelerate maturity of their bonds and to require immediate repayment at the nominal value plus any interest accumulated up to the day of repayment.


Compensation agreements exist between the company and members of its Executive Board in the event of a change of control. No such compensation agreements exist for the members of the Supervisory Board or any employees.

Graz, February 19, 2014

The Executive Board of ANDRITZ AG



**Wolfgang Leitner**  
President and CEO




**Karl Hornhofer**  
PULP & PAPER  
(Capital Systems)



**Humbert Köfler**  
PULP & PAPER  
(Service & Units),  
SEPARATION



**Friedrich Papst**  
METALS,  
HYDRO (Pumps),  
SEPARATION (Animal  
Feed Technologies)



**Wolfgang Semper**  
HYDRO

**Disclaimer:**

Certain statements contained in the annual financial report 2013 and in the annual report 2013 constitute "forward-looking statements." These statements, which contain the words "believe", "intend", "expect", and words of a similar meaning, reflect the Executive Board's beliefs and expectations and are subject to risks and uncertainties that may cause actual results to differ materially. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. The company disclaims any obligation to publicly announce the result of any revisions to the forward-looking statements made herein, except where it would be required to do so under applicable law.

The annual financial report 2013 and the annual report 2013 contain assumptions and forecasts which were based on the information available up to the copy deadline on February 19, 2014. If the premises for these assumptions and forecasts do not occur, or risks indicated in the chapter "corporate risks" and in the management report in the annual financial report 2013 do arise, actual results may vary from the forecasts made in the annual financial report 2013 and the annual report 2013. Although the greatest caution was exercised in preparing data, all information related to the future is provided without guarantee.

# CORPORATE GOVERNANCE REPORT

ANDRITZ has adopted the rules of conduct laid down in the Austrian Code of Corporate Governance and regards the Code as an essential requirement for implementation of responsible company management and control, which is directed towards creating sustainable added value and transparency for shareholders and other stakeholders. The Executive Board and the Supervisory Board, as well as the entire staff of the ANDRITZ GROUP, are committed to complying with the Code.

## **Mandatory information according to Article 243b of the Austrian Commercial Code (Unternehmensgesetzbuch – UGB)**

ANDRITZ has adopted the Austrian Code of Corporate Governance, which is publicly accessible and available on the ANDRITZ web site at [www.andritz.com](http://www.andritz.com), and at [www.corporate-governance.at](http://www.corporate-governance.at), the website of the Austrian Working Group for Corporate Governance.

### **Composition of the Executive Board according to Article 243b, para. 2 UGB**

The ANDRITZ AG Executive Board consists of five members:

Wolfgang Leitner, born on March 27, 1953

- President and CEO
- Responsibilities on the Board: central group functions such as Controlling, Corporate Communications, Human Resources Management, Information Technology, Internal Auditing, Investor Relations, Legal Affairs, and Treasury
- First appointed as President and CEO on June 29, 1994; as CFO on October 1, 1987
- Current mandate ends on June 28, 2018
- Supervisory Board mandates in other companies in Austria and abroad: Schuler AG

Karl Hornhofer, born on March 9, 1968

- Responsibilities on the Board: Capital Systems segment of the PULP & PAPER business area, Group-wide for Quality and Safety Management
- First appointed on January 1, 2007
- Current mandate ends on December 31, 2014
- Supervisory Board mandates in other companies in Austria and abroad: none

Humbert Köfler, born on January 11, 1961

- Responsibilities on the Board: Service & Units segment of the PULP & PAPER business area; SEPARATION business area
- First appointed on April 1, 2007
- Current mandate ends on March 31, 2015
- Supervisory Board mandates in other companies in Austria and abroad: none

Friedrich Papst, born on November 6, 1952

- Responsibilities on the Board: METALS business area; pumps in the HYDRO business area; animal feed technologies in the SEPARATION business areas; Group-wide for Manufacturing and Procurement
- First appointed on April 1, 1999
- Current mandate ends on December 31, 2015
- Supervisory Board mandates in other companies in Austria and abroad: Schuler AG

Wolfgang Semper, born on March 9, 1958

- Responsibilities on the Board: HYDRO business area, Group-wide for Automation
- First appointed: April 1, 2011
- Current mandate ends: March 31, 2014
- Supervisory Board mandates in other companies in Austria and abroad: none

### **Composition of the Supervisory Board according to Article 243b, para. 2 UGB**

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

#### **Appointed members:**

Hellwig Torggler, born on August 26, 1938

- Chairman of the Supervisory Board
- First delegated on September 6, 2000
- Current mandate ends on the date of the Annual General Meeting deciding on the discharge for the 2013 business year
- Supervisory Board mandates in other listed companies in Austria and abroad: none

Klaus Ritter, born on April 20, 1940

- Deputy Chairman of the Supervisory Board
- First appointed on March 30, 2004
- Current mandate ends on the date of the Annual General Meeting deciding on the discharge for the 2015 business year
- Supervisory Board mandates in other listed companies in Austria and abroad: none

Peter Mitterbauer, born on November 14, 1942

- First appointed on April 8, 2003
- Current mandate ends on the date of the Annual General Meeting deciding on the discharge for the 2013 business year
- Supervisory Board mandates in other listed companies in Austria and abroad: Oberbank AG, Rheinmetall AG

Christian Nowotny, born on July 23, 1950

- First appointed on December 29, 1999
- Current mandate ends on the date of the Annual General Meeting deciding on the discharge for the 2016 business year
- Supervisory Board mandates in other listed companies in Austria and abroad: Schuler AG

Fritz Oberlerchner, born on June 16, 1948

- First appointed on March 29, 2006
- Current mandate ends on the date of the Annual General Meeting deciding on the discharge for the 2014 business year
- Supervisory Board mandates in other listed companies in Austria and abroad: STRABAG AG, Cologne

Kurt Stiasny, born on October 6, 1950

- First appointed on December 29, 1999
- Current mandate ends on the date of the Annual General Meeting deciding on the discharge for the 2014 business year
- Supervisory Board mandates in other listed companies in Austria and abroad: none

#### Delegated members:

Georg Auer, born on October 12, 1974

- First delegated on July 1, 2011

Isolde Findenig, born on April 1, 1956

- First delegated on January 1, 2012

Andreas Martiner, born on November 11, 1964

- First delegated on February 14, 2001

Regarding the independence criteria, the Supervisory Board of ANDRITZ AG follows the guidelines laid down in the Corporate Governance Code, Annex 1. According to these guidelines, all members of the Supervisory Board of ANDRITZ AG, with the exception of Hellwig Torggler, can be seen as independent. No member of the Supervisory Board of ANDRITZ AG holds more than 10% of the total of shares.

### Description of the working procedures of the Executive Board and the Supervisory Board in accordance with Article 243b, para. 2 UGB

#### Allocation of competencies in the Executive Board

The Executive Board of ANDRITZ AG holds board meetings at regular intervals on essential, Group-relevant topics and single business areas. The competencies and responsibilities of the individual Executive Board members are listed in the notes on the Executive Board members in this Corporate Governance report. The rules of procedure for the Executive Board contain a comprehensive catalog of those business transactions requiring the prior approval of the Supervisory Board in addition to those stated in the mandatory regulations in the Corporation Act.

#### Supervisory Board committees

The Supervisory Board of ANDRITZ AG established an audit committee that held two meetings to deal with the annual and consolidated financial statements for 2012, prepare the review of the annual and consolidated financial statements for 2013 and of the proposal for appropriation of profits, additionally to deal with issues concerning the auditor, and implementation of the internal control and risk management systems in the ANDRITZ

GROUP. The members of the audit committee were Hellwig Torggler (Chairman), Klaus Ritter (Deputy Chairman), Christian Nowotny, and Andreas Martiner.

The Supervisory Board has also established a nomination and remuneration committee whose scope of activities includes the remuneration paid to the Executive Board members and the content of their employment contracts, as well as appointments to Executive and Supervisory Board positions that become vacant, and succession planning matters. The members of the nomination and remuneration committee were Hellwig Torggler (Chairman), Peter Mitterbauer (Deputy Chairman), and Klaus Ritter.

The ANDRITZ AG Supervisory Board held five regular meetings in 2013. The focal points of these meetings were monitoring of the current business development of the ANDRITZ GROUP, including possible deviations from the budget, the strategic goals, medium-term planning for the individual business areas, as well as specific topics, such as acquisitions of companies, granting of joint procurations, and other business subject to approval.

#### **Measures to promote the appointment of women to the Executive Board, the Supervisory Board, and to management posts (Article 80, Corporation Act)**

For many years now, the ANDRITZ GROUP has pursued a strategy of promoting diversity of its employees in terms of their qualifications, experience and age, cultural background, gender, and similar factors. During the reporting period, supra-regional activities began in order to approach graduates of different universities on behalf of the ANDRITZ GROUP.

Considerable attention is paid to maintaining a strict equal opportunities policy in the recruitment process. In many countries, there are still far fewer women than men opting for technical professions or graduating in engineering subjects. ANDRITZ increasingly tries to motivate female high-school graduates to take an engineering degree. The ANDRITZ GROUP can only achieve a substantial increase in its proportion of female employees if there are more female engineering graduates.

Various measures have been implemented and investments made to improve the work-life balance for employees to the extent required by the social structures in the various countries. The company-run nursery school set up beside the headquarters of the ANDRITZ GROUP in Graz and the flexible working hours available to employees with young children are two examples of these measures. When creating office space as part of new building projects, consideration is always given to the establishment of child care facilities for the children of employees.

In many areas, women were successful in being appointed to management posts. Also recently, Group-wide managerial posts at first and second reporting level were filled by women. ANDRITZ supports various initiatives to encourage women to take a degree in a technical subject. During the reporting period, ANDRITZ again took part regularly in various events and recruiting days specifically for women, and attended vocational orientation days for girls and young women. In addition, an internal workshop was organized for women to assess how effective the development measures implemented have been so far and to plan improvements for the future. Furthermore, special training modules are currently in preparation to enhance women's careers. In its efforts to promote female employees, ANDRITZ will refrain from any measures that would discriminate against male employees.

#### **Disclosure of information on the remunerations of the Executive Board and Supervisory Board (Article 243b, para. 2 UGB, N3)**

##### **Executive Board remunerations**

- The Executive Board remunerations in the 2013 business year amounted to:

<i>(in EUR)</i>	<b>Fixed</b>	<b>Variable</b>	<b>Other remunerations</b>
Wolfgang Leitner (President and CEO)	612,923	672,300	9,063
Karl Hornhofer	235,000	341,600	6,725
Humbert Köfler	235,000	341,600	8,227
Friedrich Papst	302,236	551,589	8,493
Wolfgang Semper	235,000	340,938	9,544

- The remuneration of the Executive Board is composed of a fixed and a variable/success-based portion. The amount of the variable portion depends on the net income. The maximum value for the variable annual remuneration was fixed at three times the fixed annual remuneration. Any amounts in excess of this sum will be credited as a variable remuneration for the following years. If the net income of the Group falls short of a defined minimum amount, this results in a 'malus' that is also carried forward to the following years and to a re-



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

- In all share option programs for managerial staff and the Executive Board since the IPO, participation was contingent on investing at least 20,000 EUR in ANDRITZ shares for managerial staff and 40,000 EUR for members of the Executive Board no later than the allocation date of the options. This investment must be maintained continuously until exercise of the options by those persons subscribing to the option program and evidence thereof must be brought when the options are exercised. There is a waiting period of three years before options can be exercised if the contract of employment is still in force (exception: end of employment contract as scheduled according to contract provisions). The following options were exercised in the 2013 business year: Wolfgang Leitner 100,000, Karl Hornhofer 60,000, Humbert Köfler and Friedrich Papst 80,000 each, and Wolfgang Semper 35,000 options; the exercise price was 23.18 EUR per share.
- The members of the Executive Board are entitled to receive pension scheme benefits. In addition to a retirement pension, these include benefits in the event of occupational disability, as well as pension payments for dependents following the death of the beneficiary. The retirement pension is normally paid as from a certain age provided that the employment contract has already been terminated by this date. The administration work has been outsourced to a pension fund. In the event that the employment contract is terminated prematurely, contributions made up to this point shall still be vested. The pension amount to which the beneficiary is entitled is not subject to an escalation clause before any benefits become payable; after this, annual adjustments can be made to take account of the development in wages and salaries and of ANDRITZ's economic status.
- Each member of the Executive Board shall, upon termination of his/her function and concurrent termination of employment, be entitled to severance payments in the meaning of Article 23 of the Austrian Employees Act unless such termination is the result of justified dismissal.
- The principles applied in establishing the remuneration of the Executive Board and of senior managers comply with the Austrian Code of Corporate Governance.
- ANDRITZ AG took out Directors' and Officers' liability insurance (D&O insurance) for 2013. The expenses are borne by the company. The D&O insurance covers certain personal liability risks of persons in the ANDRITZ GROUP acting under responsibility. The annual cost is approximately 360,000 EUR (including Schuler).

#### Supervisory Board remunerations

- The Supervisory Board remunerations (including attendance fees) in 2013 amounted to 292,500 EUR (2012: 187,500 EUR) and were divided between the individual Supervisory Board members as follows:

<i>(in EUR)</i>	<b>Remuneration (including attendance fees)</b>
Hellwig Torggler (Chairman of the Supervisory Board)	72,500
Klaus Ritter (Deputy Chairman of the Supervisory Board)	57,500
Peter Mitterbauer	40,000
Christian Nowotny	42,500
Fritz Oberlerchner	40,000
Kurt Stiassny	40,000

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

- The remuneration scheme of the Supervisory Board is composed of a fixed and an attendance-related portion. The fixed portion is a global sum, which is to be distributed such that the chairman of the Supervisory Board receives double the amount and his deputy one-and-a-half-times the amount paid to the other members. The second portion consists of a lump sum fee paid in respect of each meeting that the member attends.

The remuneration report for the Executive Board and the Supervisory Board of ANDRITZ AG is available in the Notes to the annual financial report 2013.

Graz, February 2014

The Executive Board of ANDRITZ AG

Wolfgang Leitner m.p.  
(President and CEO)

Karl Hornhofer m.p.

Humbert Köfler m.p.

Friedrich Papst m.p.

Wolfgang Semper m.p.

## CORPORATE RISKS

The ANDRITZ GROUP is a globally-operating company serving a variety of industrial markets and customers. As such, the Group is subject to certain general and industry-specific risks. ANDRITZ has a Group-wide control and steering system whose main task is to identify nascent risks at an early stage and – if possible – to take countermeasures.

The risks for the ANDRITZ GROUP include, but are not limited to the following (see also the section on risk management in the management report):

### **Risks in connection with the general economic development**

#### **Effects of the financial and economic crisis**

The weak global economic development constitutes a considerable risk for the future financial development of the ANDRITZ GROUP and could lead to delays in the execution of existing orders and to postponement or termination of current projects. This may entail a decline in the Group's order intake. Possible cancellations of existing orders could have a negative impact on the ANDRITZ GROUP's order backlog. Both factors may have an adverse effect on the future sales and earnings developments of the Group and also on the Group's order backlog.

Turbulent conditions on the international financial markets and the resulting negative and volatile development of securities, capital, and currency markets also constitute a considerable financial risk for the ANDRITZ GROUP. In order to minimize the financial risks as best possible and to enhance monitoring, control, and assessment of its financial and liquidity position, the ANDRITZ GROUP has implemented a comprehensive treasury policy and a transparent information system. Cash flow risks are monitored via monthly cash flow reports.

The ANDRITZ GROUP's position in terms of liquidity is very good, and the Group has high liquidity reserves. Cash is mainly invested in low-risk financial assets, such as government bonds, government-guaranteed bonds, investment funds to cover pension obligations, loans against borrowers' notes insured by a certificate of deposit, or term deposits. The Group avoids dependence on one single or only a few banks. To ensure independence, no bank will receive more than a certain defined amount of the business in any important product (cash and cash equivalents, financial liabilities, financial assets, guarantees, and derivatives). With this diversification, ANDRITZ is seeking to minimize the counterparty risk as best possible. Nevertheless, if one or more banks were to become insolvent, this would have a considerable negative influence on earnings development and shareholders' equity of the ANDRITZ GROUP. In addition, the lowering of ANDRITZ's credit rating by several banks can limit the financial leeway available to ANDRITZ, particularly regarding sureties to be issued.

A negative economic development could create the need for complete or partial impairment of some goodwill created in the course of acquisitions if business goals cannot be reached. This might significantly influence the earnings development.

The latent global sovereign debt crisis also presents a serious risk to the financial development of the ANDRITZ GROUP. Due to the current sovereign debt crisis in the European Union, there is a risk of complete or partial collapse of the euro zone and of a possible breakdown of the euro currency system linked to it. Most likely, this would have a negative effect on the financial, liquidity, and earnings development of the ANDRITZ GROUP. The related financial risks are described in the section on risk management in the management report.

### **Risks related to the industries in which the Group operates**

#### **Volatility of incoming orders**

Some customers and industries served by the ANDRITZ GROUP are directly dependent on general economic development and thus subject to frequent fluctuations in the demand for their products. This is especially true of the PULP & PAPER and the METALS business areas, but all business areas can be affected. The prices for products in these segments are, in part, directly dependent on the prevailing relationship between supply and demand for the goods produced by such products. Possible price fluctuations are, therefore, apt to have a direct influence on each customer's capital investment decisions, with subsequent influence on the Group's order intake. This may lead to some volatility in the development of the Group's order intake.

#### **Customer concentration**

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

#### Uncertainty of future contracts

Among other things, the Group's future performance depends on its securing new contracts. It can be difficult to predict when an order for which the ANDRITZ GROUP has provided a quotation will actually be awarded. Contract awards are often affected by events outside the control of the Group, such as prices, demand, general economic conditions, the granting of governmental approvals, and the securing of project financing. This uncertainty can cause difficulties in matching the Group's fixed costs and predicted order volume.

#### Safety and environmental matters

The Group's operations are subject to numerous local, national, and supranational environmental regulations. The Group uses and generates hazardous substances in its manufacturing operations. In addition, many of the Group's current and former properties are, or were, used for industrial purposes, and disposal of waste at disposal sites has been arranged. It is possible that in the future the Group may be subject to liabilities relating to the investigation and clean-up of contaminated areas. The HYDRO business area occasionally assumes joint liability for environmental risks in certain hydropower station projects.

In addition, the ANDRITZ GROUP supplies many systems with products and/or processes that pose the risk of serious or fatal injury (also to a larger number of people), or of substantial property damage. Several systems involve the use of dangerous and hazardous chemicals and materials. Products of ANDRITZ are also used in the primary cooling circuits of nuclear power plants. The Group provides installation and other services on industrial sites containing dangerous and hazardous chemicals and materials. In the event of an accident, for example a spill of such hazardous materials, a fire, or an explosion, the Group could be held liable for property damage, personal or fatal injury, and environmental remediation.

#### Insurance

While the ANDRITZ GROUP maintains insurance programs to cover typical insurable risks related to its business, there can be no guarantee that this insurance can fully cover potential losses, that the insurers will be liable to pay damages, nor that the amount of the Group's insurance will be adequate. Moreover, the Group is involved in certain industries (for example the space and nuclear industries) for which risks are uninsurable or where it is not always possible to comply with all of the conditions required to contract insurance. Any material liability not covered by insurance would have a substantial adverse effect on the Group's financial condition.

### Risks related to the Group's business

#### Currencies

The Group has operations and subsidiaries in a large number of countries outside euro land, and a significant portion of its sales and costs are denominated in non-euro currencies, mainly in US dollars. The currencies in these countries are subject to fluctuations in exchange rates. Currency risks in connection with execution of the order backlog are minimized by derivative financial instruments, in particular forward exchange contracts and swaps.

Although the Group attempts to hedge the net currency exposure of those orders not invoiced in euros by arranging forward contracts, currency fluctuations can result in the recognition of exchange rate losses in the Group's financial statements. Developments of exchange rates may also have translation effects on the Group's sales and earnings whose values are converted into euros. In addition, shifts in exchange rates may affect ANDRITZ's position relative to its competitors, although many competitors of ANDRITZ are also based in euro land. As some of ANDRITZ's major customers are based outside euro land, changes in exchange rates could lead to delays in project decisions by those customers. Also, the shareholders' equity of the ANDRITZ GROUP is not hedged and is thus susceptible to being affected by changes in the exchange rate.

#### Competitive position

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

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

#### Acquisition and integration of complementary business segments

One of the Group's main strategic goals is to become a full-line supplier in all of its business areas through organic growth and complementary acquisitions. In the course of implementing this strategy, the Group has acquired and integrated a number of companies with worldwide operations since 1990.

There is, however, no guarantee that the Group will be successful in identifying and acquiring appropriate acquisition candidates in the future, or that suitable candidates and sufficient financing will be available. In the past, ANDRITZ was successful in integrating newly acquired companies, but there is no guarantee that planned objectives and synergies can be realized for all acquisitions in the future (including the ongoing integration of the most recently acquired companies), or that the Group may not be exposed to new or legacy risks that have not been properly managed or identified.

As of March 1, 2013, the Schuler Group was included in the consolidated financial statements of the ANDRITZ GROUP. As Schuler derives approximately 80% of its sales from the automotive industry, which is generally exposed to strong cyclical fluctuations, this acquisition may possibly also have an adverse impact on the development of sales and earnings of the ANDRITZ GROUP. In addition, financial provisions for continuation of the "Growing Together" growth and strategy program initiated by Schuler in 2011 to integrate the Müller Weingarten company will also have a negative impact on the earnings of Schuler and thus, on the earnings of the ANDRITZ GROUP in 2014.

#### Legal proceedings

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

ANDRITZ Inc., a subsidiary of the ANDRITZ GROUP, is one of many defendants in 23 asbestos cases (status as of December 31, 2013; 55 cases as of December 31, 2012) in the USA. In aggregate, the cases involve 428 plaintiffs (444 plaintiffs as of December 31, 2012). All of the cases relate to claims against multiple defendants. ANDRITZ Inc. does not believe it should be found liable in connection with any of these claims and intends to defend each claim vigorously.

#### Compliance

The ANDRITZ GROUP is subject to a variety of legal compliance risks, including compliance with anti-trust and anti-bribery laws in Austria and other countries where the Group conducts business. The Group has established a Compliance Committee to control its compliance efforts and has adopted a number of compliance policies, including policies prohibiting the misuse of insider trading, the violation of applicable anti-trust laws and anti-bribery laws, as well as a global Business Code of Conduct. While the Group attempts to make sure that such policies are observed, there can be no assurance that no violations will occur or have occurred. Any such violation could have a lasting adverse impact on the financial position and reputation of the Group.

### Risks related to major orders and other contracts

#### Payment risks from customers

Much of the ANDRITZ GROUP's business involves handling major projects with a large contract value. If a customer fails to meet its payment obligations for one of these projects, this may have a negative effect on the net worth and liquidity position of the Group. The ANDRITZ GROUP tries to limit these risks by securing payment guarantees from banks and export credit insurance agencies. Even in projects covered by export credit insurance, typically only up to 85% of the sales price is secured through such insurance. However, the conditions for complete coverage are not always met. Moreover, much of the Group's service business is not secured by bank guarantees. Worsening economic conditions could adversely affect the ability of certain customers to meet their payment obligations to ANDRITZ.

In addition, there is always some risk that partial or full provisions will have to be made for some trade accounts receivable.

#### Performance risk of projects

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

#### Cost overruns

A substantial majority of the Group's projects are based on long-term, fixed price contracts. The sales and operating margins realized in a fixed price contract may vary from original estimates as a result of changes in costs, especially fluctuating material costs, especially on projects that include engineering and/or construction of complete plants.

In addition, since certain parts of the Group's supplies are outsourced, the Group may be forced to quote at a fixed price to the customers without knowing the exact cost of the parts purchased. While estimates are made using empirical data and quotes from potential suppliers, these may not always be completely accurate. The Group has experienced significant losses on certain past and pending projects in this regard, and similar difficulties and losses may occur in the future in a way that would adversely affect the Group's financial condition.

#### EPC/turnkey contract risks

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

#### Consortium risks

In many EPC and other projects, the ANDRITZ GROUP participates with third parties with whom it shares several joint liabilities. While the Group attempts to make sure that risks in such projects are properly allocated, there can be no assurance that this will always be successful. Moreover, the inability of one of the Group's consortium partners to fulfill its obligations on the project, including indemnity obligations to the Group, may have an adverse material impact on the financial results and the liquidity of the Group.

#### Limitations of liability

Liabilities arising out of the Group's contracts may include liabilities for customers' loss of profits and other liabilities that can vastly exceed the value of the contract in question. While the Group endeavors to include appropriate limitations of liability in its contracts, there can be no assurance that appropriate limitations will in fact be in place in all contracts or that such limitations will be enforceable under the applicable law.

#### Government contracts

A significant amount of the HYDRO business relates to projects with government entities. These projects can involve the performance, liability, and EPC/turnkey contract risks described above. Due to public bid requirements and local laws, it may not always be possible for the Group to obtain its desired contractual safeguards, and thus it may remain more exposed to such risks in connection with these projects.

### Risks related to the capital markets

#### Dependence on the development of international financial markets

Apart from company-related occurrences, development of the ANDRITZ share price is also dependent on fluctuations in prices on the international financial markets. Major price fluctuations and high volatility on major stock markets may have an adverse effect on the ANDRITZ share price.

#### Recommendations by analysts

As a publicly listed company, ANDRITZ is regularly assessed by financial analysts and institutional investors. Analysts' recommendations to buy or sell ANDRITZ shares and subsequent investment decisions by shareholders may cause considerable fluctuations in the share price. The ANDRITZ GROUP has consistently followed a

policy of open and transparent information exchange with shareholders and the financial community to minimize unfounded fluctuations in its share price.

#### Active trading of ANDRITZ shares

The high level (about 70%) of public free float of ANDRITZ's total outstanding shares and the intensive investor relations activities have led to active trading in ANDRITZ shares on the Vienna Stock Exchange. There is no assurance, however, that active trading will be maintained in the future. If active trading were not maintained, the liquidity and market price of ANDRITZ shares would suffer adverse effects and investors may not be able to sell their shares at what they perceive to be an acceptable price. In the absence of active trading or in the event of a major change in market capitalization, the ANDRITZ share could be removed from various international industrial and stock exchange indices, for example the ATX, the leading index of the Vienna Stock Exchange, or other national and international indices. This could result in major changes in the price of the ANDRITZ share.

## REPORT OF THE SUPERVISORY BOARD

The Supervisory Board and the Executive Board held five meetings during the reporting period for in-depth discussions on the economic situation and strategic development of the company, as well as major events, capital expenditures, and other measures. In the course of regular reporting and in all meetings, the Executive Board informed the Supervisory Board, by means of detailed reports, on the business and financial situation of the Group and its affiliates, as well as on the situation regarding Human Resources, medium-term planning, capital expenditure, and acquisition projects. Additional information was provided on special occurrences. The Chairman of the Supervisory Board and the Chief Executive Officer were also in regular contact to review the company's strategy and business development.

The Presidium of the Supervisory Board acted on behalf of the company in matters concerning the Executive Board. None of the members of the Supervisory Board was absent from more than half of the meetings.

Specific topics were discussed in two meetings in depth by the audit committee and subsequently reported on to the Supervisory Board. All members of the audit committee attended the committee meetings.

With regard to the financial statements for 2012, the audit committee called in the annual auditor to attend its meeting on February 28, 2013 in order to review the financial statements, consolidated financial statements, the management report, and the Executive Board's proposal for appropriation of profits. In addition, a statement was drawn up on the auditor designated for the 2013 business year, his legal relationship with the ANDRITZ GROUP and the members of its Boards was verified, the auditing fees were negotiated, and a recommendation for the auditor appointment was made. As further items on the agenda, the auditor reported on the function of the risk management system in the company. In addition, a report on the Internal Auditing department was issued and explanations on the compliance report were provided.

At the meeting of the audit committee held on December 5, 2013, the Supervisory Board – with the auditor also present – discussed organization, scheduling, and auditing of the 2013 financial statements, as well as a report by the Executive Board on the form and functioning mode of the internal control system.

At the Supervisory Board meeting following the Annual General Meeting on March 22, 2013, and held on the same day, Hellwig Torggler was elected as Chairman and Klaus Ritter as Deputy Chairman of the Supervisory Board.

The financial statements and management report of ANDRITZ AG and the consolidated financial statements for 2013 drawn up according to IFRS were audited (including the accounts) and certified by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, who had been appointed as auditors by the Annual General Meeting. The Supervisory Board examined the documents in accordance with Article 96 of the Corporation Act and approved the financial statements, which are hereby adopted in accordance with Article 96, para. 4, of the Corporation Act. The Supervisory Board also checked and approved the proposed appropriation of profits submitted by the Executive Board.

Graz, February 2014

Hellwig Torggler

Chairman of the Supervisory Board

# Consolidated financial statements 2013 of the ANDRITZ GROUP

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# CONSOLIDATED INCOME STATEMENT

## For the 2013 financial year

<i>(in TEUR)</i>	<i>Notes</i>	<b>2013</b>	<b>2012*</b>
<b>Sales</b>	<b>1.</b>	<b>5,710,773</b>	<b>5,176,880</b>
Changes in inventories of finished goods and work in progress		-1,964	-5,206
Capitalized cost of self-constructed assets		4,187	1,965
		<b>5,712,996</b>	<b>5,173,639</b>
Other operating income	2.	120,834	79,606
Cost of materials	3.	-3,232,438	-3,043,661
Personnel expenses	4.	-1,518,201	-1,113,851
Other operating expenses	5.	-827,984	-677,165
<b>Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)</b>		<b>255,207</b>	<b>418,568</b>
Depreciation, amortization and impairment of intangible assets and property, plant, and equipment	6.	-161,620	-83,697
Impairment of goodwill	11.	-3,800	-397
<b>Earnings Before Interest and Taxes (EBIT)</b>		<b>89,787</b>	<b>334,474</b>
Income/expense from associated companies		-185	-1,392
Interest income		26,479	33,483
Interest expenses		-35,069	-30,891
Other financial result		-735	-5,252
<b>Financial result</b>	<b>7.</b>	<b>-9,510</b>	<b>-4,052</b>
<b>Earnings Before Taxes (EBT)</b>		<b>80,277</b>	<b>330,422</b>
Income taxes	8.	-27,085	-89,165
<b>NET INCOME</b>		<b>53,192</b>	<b>241,257</b>
Thereof attributable to:			
Shareholders of the parent		66,609	242,690
Non-controlling interests		-13,417	-1,433
Basic earnings per no-par value share (in EUR)	9.	0.64	2.35
Diluted earnings per no-par value share (in EUR)	9.	0.64	2.33
Proposed or paid dividend per no-par value share (in EUR)	22.	0.50	1.20

\* Adjusted to comply with IAS 19 – see Note B – Accounting principles

The following notes to the consolidated financial statements form an essential part of the present consolidated income statement.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## For the 2013 financial year

<i>(in TEUR)</i>	<i>Notes</i>	<b>2013</b>	<b>2012*</b>
<b>Net income</b>		<b>53,192</b>	<b>241,257</b>
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:</b>			
<b>Exchange differences from translation of foreign operations</b>			
Gains/(losses) arising during the year		-44,211	-12,128
Reclassification of foreign currency differences on loss of significant influence		1,402	0
<b>Currency translation adjustments, net of tax</b>		<b>-42,809</b>	<b>-12,128</b>
<b>Financial assets available for sale</b>			
	<i>L)</i>		
Available-for-sale financial assets – net change in fair value		-1,002	1,323
Available-for-sale financial assets – reclassified to profit or loss		-175	-645
Related income taxes		295	-169
<b>Available-for-sale financial assets, net of tax</b>		<b>-882</b>	<b>509</b>
<b>Cash flow hedges</b>			
	<i>L)</i>		
Net change in fair value		-329	0
Related income taxes		128	0
<b>Cash flow hedges, net of tax</b>		<b>-201</b>	<b>0</b>
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:</b>			
	<i>25.</i>		
Actuarial gains/losses		8,383	-20,409
Related income taxes		-1,734	5,169
<b>Actuarial gains/losses, net of tax</b>		<b>6,649</b>	<b>-15,240</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-37,243</b>	<b>-26,859</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>15,949</b>	<b>214,398</b>
Thereof attributable to:			
Shareholders of the parent		33,898	218,482
Non-controlling interests		-17,949	-4,084

\* Adjusted to comply with IAS 19 – see Note B – Accounting principles

The following notes to the consolidated financial statements form an essential part of the present consolidated statement of comprehensive income.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As of December 31, 2013**

<i>(in TEUR)</i>	<i>Notes</i>	<b>2013</b>	<b>2012*</b>	<b>January 1, 2012*</b>
<b>ASSETS</b>				
Intangible assets	10.	309,458	101,110	77,238
Goodwill	11.	530,067	314,389	284,713
Property, plant, and equipment	12.	673,479	494,187	433,369
Shares in associated companies	13.	0	555	13,428
Other investments	14.	45,649	355,288	235,890
Trade accounts receivable	15.	16,849	21,385	14,350
Other receivables	16.	75,338	74,851	41,130
Deferred tax assets	8.	200,318	125,252	107,180
<b>Non-current assets</b>		<b>1,851,158</b>	<b>1,487,017</b>	<b>1,207,298</b>
Inventories	17.	673,761	405,317	411,743
Advance payments made	18.	152,786	181,196	141,291
Trade accounts receivable	15.	620,821	606,548	581,367
Cost and earnings of projects under construction in excess of billings	19.	509,534	320,718	290,490
Other receivables	16.	376,368	341,835	319,366
Marketable securities	20.	159,107	325,486	445,159
Cash and cash equivalents	21.	1,227,860	1,492,848	1,169,888
<b>Current assets</b>		<b>3,720,237</b>	<b>3,673,948</b>	<b>3,359,304</b>
<b>TOTAL ASSETS</b>		<b>5,571,395</b>	<b>5,160,965</b>	<b>4,566,602</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Share capital		104,000	104,000	104,000
Capital reserves		36,476	36,476	36,476
Retained earnings		759,261	867,017	756,193
<b>Equity attributable to shareholders of the parent</b>		<b>899,737</b>	<b>1,007,493</b>	<b>896,669</b>
Non-controlling interests		29,743	26,302	42,204
<b>Total shareholders' equity</b>	22.	<b>929,480</b>	<b>1,033,795</b>	<b>938,873</b>
Bonds	23.	510,658	525,099	357,706
Bank loans and other financial liabilities	23.	44,483	9,667	11,422
Obligations under finance leases	23.	15,324	16,061	7,696
Provisions	24./25.	438,563	312,226	301,496
Other liabilities	26.	54,374	13,182	14,135
Deferred tax liabilities	8.	159,040	93,912	85,155
<b>Non-current liabilities</b>		<b>1,222,442</b>	<b>970,147</b>	<b>777,610</b>
Bonds	23.	0	186,654	0
Bank loans and other financial liabilities	23.	63,004	51,797	58,713
Obligations under finance leases	23.	962	1,364	757
Trade accounts payable		453,219	420,369	438,596
Billings in excess of cost and earnings of projects under construction	19.	1,081,412	1,090,860	1,068,292
Advance payments received		269,066	63,759	85,410
Provisions	24.	555,063	413,221	365,809
Liabilities for current taxes		39,622	50,740	46,006
Other liabilities	26.	957,125	878,259	786,536
<b>Current liabilities</b>		<b>3,419,473</b>	<b>3,157,023</b>	<b>2,850,119</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>5,571,395</b>	<b>5,160,965</b>	<b>4,566,602</b>

\* Adjusted to comply with IAS 19 – see Note B – Accounting principles and IFRS 3 – see Note E – Acquisitions

The following notes to the consolidated financial statements form an essential part of the present consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## For the 2013 financial year

<i>(in TEUR)</i>	<i>Notes</i>	<b>2013</b>	<b>2012*</b>
<b>Earnings Before Taxes (EBT)</b>		<b>80,277</b>	<b>330,422</b>
Interest result	7.	8,590	-2,592
Depreciation, amortization, write-ups and impairment of fixed assets		165,420	84,094
Expense/income from associated companies	7.	185	1,392
Changes in non-current provisions		12,155	-28,519
Losses/gains from the disposal of fixed and financial assets		25	1,118
Other non-cash income/expenses		10,335	-1,610
Taxes paid		-131,269	-97,906
Interest received		28,513	38,206
Interest paid		-25,557	-17,797
<b>Gross cash flow</b>		<b>148,674</b>	<b>306,808</b>
Changes in inventories		-125,320	19,931
Changes in advance payments made		45,811	-37,826
Changes in receivables		-50,679	-34,562
Changes in current provisions		97,859	47,069
Changes in advance payments received		130,821	-31,701
Changes in liabilities		-153,464	76,759
<b>Cash flow from operating activities</b>		<b>93,702</b>	<b>346,478</b>
Payments received for asset disposals (including financial assets)		46,897	4,302
Payments made for investments in property, plant, and equipment and intangible assets		-111,354	-109,112
Payments made for investments in non-current financial assets		-1,668	-199,197
Acquisitions, net of cash acquired	K)	-88,857	-52,893
Changes in consolidation scope		6,489	3,894
Payments received for current investments of cash and cash equivalents		248,839	223,173
Payments made for current investments of cash and cash equivalents		-17,309	-94,458
<b>Cash flow from investing activities</b>		<b>83,037</b>	<b>-224,291</b>
Cash inflow from the issuance of bonds		0	350,000
Payments made for the redemption of bonds		-183,500	0
Changes of other financial liabilities		-46,150	-11,382
Dividends paid by ANDRITZ AG	22.	-123,738	-113,551
Purchase of non-controlling interests		-21,884	-12,000
Dividends paid to non-controlling interest holders		-792	-3,937
Proceeds from re-issuance of treasury shares (less cash settlement)		7,129	1,853
Purchase of treasury shares		-21,264	0
<b>Cash flow from financing activities</b>		<b>-390,199</b>	<b>210,983</b>
<b>Changes in cash and cash equivalents</b>		<b>-213,460</b>	<b>333,170</b>
Change in cash and cash equivalents resulting from exchange rate fluctuation		-51,529	-10,210
<b>Cash and cash equivalents at the beginning of the period</b>		<b>1,492,848</b>	<b>1,169,888</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>1,227,860</b>	<b>1,492,848</b>

\* Adjusted to comply with IAS 19 – see Note B – Accounting principles

The following notes to the consolidated financial statements form an essential part of the present consolidated statement of cash flows.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the 2013 business year

	Notes	Attributable to shareholders of the parent							Non-controlling interests	Total shareholders' equity	
		Share capital	Capital reserves	Other retained earnings	IAS 39 reserve	Actuarial gains/ losses	Currency translation adjustments	Treasury shares			Total
<i>(in TEUR)</i>											
<b>Status as of January 1, 2012</b>		104,000	36,476	796,897	189	-18,751	651	-22,793	896,669	42,204	938,873
<b>New accounting rules applied</b>				-3,555		3,555					
<b>Status as of January 1, 2012 adjusted retrospectively*</b>		104,000	36,476	793,342	189	-15,196	651	-22,793	896,669	42,204	938,873
Net income		0	0	242,690	0	0	0	0	242,690	-1,433	241,257
Other comprehensive income for the year		0	0	0	509	-15,240	-9,477	0	-24,208	-2,651	-26,859
<b>Total comprehensive income for the year</b>		<b>0</b>	<b>0</b>	<b>242,690</b>	<b>509</b>	<b>-15,240</b>	<b>-9,477</b>	<b>0</b>	<b>218,482</b>	<b>-4,084</b>	<b>214,398</b>
Dividends	22.	0	0	-113,551	0	0	0	0	-113,551	-3,936	-117,487
Changes from acquisitions		0	0	-504	-3	-450	1,416	0	459	-7,882	-7,423
Changes in treasury shares		0	0	0	0	0	0	1,853	1,853	0	1,853
Changes concerning share option programs	22.	0	0	5,175	0	0	0	0	5,175	0	5,175
Other changes		0	0	-1,594	0	0	0	0	-1,594	0	-1,594
<b>Status as of December 31, 2012*</b>		<b>104,000</b>	<b>36,476</b>	<b>925,558</b>	<b>695</b>	<b>-30,886</b>	<b>-7,410</b>	<b>-20,940</b>	<b>1,007,493</b>	<b>26,302</b>	<b>1,033,795</b>
<b>Status as of January 1, 2013 adjusted retrospectively*</b>		<b>104,000</b>	<b>36,476</b>	<b>925,558</b>	<b>695</b>	<b>-30,886</b>	<b>-7,410</b>	<b>-20,940</b>	<b>1,007,493</b>	<b>26,302</b>	<b>1,033,795</b>
Net income		0	0	66,609	0	0	0	0	66,609	-13,417	53,192
Other comprehensive income for the year		0	0	0	-1,076	6,673	-38,308	0	-32,711	-4,532	-37,243
<b>Total comprehensive income for the year</b>		<b>0</b>	<b>0</b>	<b>66,609</b>	<b>-1,076</b>	<b>6,673</b>	<b>-38,308</b>	<b>0</b>	<b>33,898</b>	<b>-17,949</b>	<b>15,949</b>
Dividends	22.	0	0	-123,738	0	0	0	0	-123,738	-792	-124,530
Changes from acquisitions		0	0	0	0	0	0	0	0	34,008	34,008
Change through deconsolidation		0	0	27	0	-27	0	0	0	0	0
Changes in treasury shares	22.	0	0	-25,959	0	0	0	12,483	-13,476	0	-13,476
Changes concerning share option programs	22.	0	0	5,576	0	0	0	0	5,576	0	5,576
Transactions with non-controlling interests		0	0	-10,058	0	0	0	0	-10,058	-11,826	-21,884
Other changes		0	0	42	0	0	0	0	42	0	42
<b>Status as of December 31, 2013</b>		<b>104,000</b>	<b>36,476</b>	<b>838,057</b>	<b>-381</b>	<b>-24,240</b>	<b>-45,718</b>	<b>-8,457</b>	<b>899,737</b>	<b>29,743</b>	<b>929,480</b>

\* Adjusted to comply with IAS 19 – see Note B – Accounting principles

The following notes to the consolidated financial statements form an essential part of the present consolidated statement of changes in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2013

## 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.

The average number of employees in the Group was 22,908 in 2013 and 17,472 in 2012. The registered office address of the Group's headquarters is at Stattegger Strasse 18, 8045 Graz, Austria.

The consolidated financial statements are the responsibility of the Executive Board and are acknowledged by the Supervisory Board.

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

## B) ACCOUNTING PRINCIPLES

The financial statements were prepared in accordance with all International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and endorsed by the European Union; application of these standards is mandatory for 2013. All interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), which must also be observed for 2013, have been applied. The consolidated financial statements meet the requirements of Section 245a UGB (Austrian Commercial Code) on exempting consolidated financial statements according to internationally recognized accounting standards.

The International Accounting Standards Board (IASB) is working on numerous projects that will only have an effect as from the 2014 financial year. In 2013, the following aspects to be considered are a mandatory amendment to standards.

<i>Standard/Interpretation</i>	<i>Title</i>	<b>Effective for annual financial statements for periods beginning on or after</b>	<b>Endorsement by EU</b>
IAS 19 (as revised in 2011)	Employee benefits	January 1, 2013	July 6, 2012
Amendments to IAS 1	Presentation of items of other comprehensive income	January 1, 2013	July 6, 2012
Amendments to IAS 12	Deferred tax: recovery of underlying assets	January 1, 2013	December 29, 2012
Amendments to IFRS 7	Disclosures – offsetting financial assets and financial liabilities	January 1, 2013	December 29, 2012
IFRS 13	Fair value measurement	January 1, 2013	December 29, 2012
IFRIC 20	Stripping costs in the production phase of a surface mine	January 1, 2013	December 11, 2012

The amendments to IAS 19, "employee benefits", have a substantial impact on the way in which the cost of defined benefit pension plans and of benefits paid upon termination of the employment contract are recognized and measured, as well as on the disclosure requirements relating to employee benefits.

For ANDRITZ, the main change relates to determination of the time value of money as a result of the net interest approach being introduced.

In future, the interest rate applied to measure the post-employment benefit liabilities is used to determine the interest payment on the plan assets item. The interest cost from the post-employment benefit and expected return on plan asset components, which were previously determined separately, are replaced by the net amount, i.e. the net interest cost/revenue on the provision/asset.

Up till now, the expected return on plan assets was determined on the basis of the management's expectations with respect to the return on the company's investment portfolio.

The revised IAS 19 standard must be applied in accordance with IAS 8, which entails retrospective application of the change. As a result, the comparative periods up to January 1, 2012 and December 31, 2012 were adjusted

accordingly. This led to actuarial gains and losses that had previously been recognized in profit or loss being transferred to other comprehensive income, thus resulting in a change in the interest result, other comprehensive income, deferred taxes, and earnings per share. The net book value of the provisions has not changed because the corridor method was not applied in the Group. In this respect, the change in the statement of financial position as a result of the retrospective adjustment is only visible as a shift within equity.

The following table summarizes the adjustments in the statement of financial position as a result of the revised standard being introduced:

<i>(in TEUR)</i>	Equity	
	Other retained earnings	Actuarial gains/losses
Status as of January 1, 2012, as reported previously	796,897	-18,751
Effects of change in IAS 19	-3,555	3,555
<b>ADJUSTED STATUS AS OF JANUARY 1, 2012</b>	<b>793,342</b>	<b>-15,196</b>
Status as of December 31, 2012, as reported previously	930,060	-35,388
Effects of change in IAS 19 as of January 1, 2012	-3,555	3,555
Effects of change in IAS 19 in 2012	-947	947
<b>ADJUSTED STATUS AS OF DECEMBER 31, 2012</b>	<b>925,558</b>	<b>-30,886</b>

The impact on the income statement and on the statement of comprehensive income was as follows:

<i>(in TEUR)</i>	Balance 2012	Adjustments	Adjusted balance 2012
<b>Income statement</b>			
Interest result	3,816	-1,224	2,592
<b>Financial result</b>	<b>-2,828</b>	<b>-1,224</b>	<b>-4,052</b>
<b>Earnings Before Taxes (EBT)</b>	<b>331,646</b>	<b>-1,224</b>	<b>330,422</b>
Income taxes	-89,442	277	-89,165
<b>NET INCOME</b>	<b>242,204</b>	<b>-947</b>	<b>241,257</b>
Thereof attributable to:			
Shareholders of the parent	243,637	-947	242,690
Non-controlling interests	-1,433		-1,433
Basic earnings per no-par value share (in EUR)	2.36	-0.01	2.35
Diluted earnings per no-par value share (in EUR)	2.34	-0.01	2.33
<b>Statement of comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
<b>loss:</b>	<b>-11,619</b>		<b>-11,619</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gains/losses	-21,633	1,224	-20,409
Related deferred income taxes	5,446	-277	5,169
<b>ACTUARIAL GAINS/LOSSES, NET OF TAX</b>	<b>-16,187</b>	<b>947</b>	<b>-15,240</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-27,806</b>	<b>947</b>	<b>-26,859</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>214,398</b>		<b>214,398</b>
Thereof attributable to:			
Shareholders of the parent	218,482		218,482
Non-controlling interests	-4,084		-4,084

The International Accounting Standards Board (IASB), which sets the standards for the IFRS, issued a change to IAS 1; "Presentation of Financial Statements", which changes the way in which items are shown in other comprehensive income within the statement of comprehensive income.

According to this change, companies must divide the items shown under other comprehensive income into two categories, depending on whether they are to be booked in future through the income statement (so-called recycling) or not. ANDRITZ has adjusted the way in which the statement of comprehensive income is shown.

In addition, the IASB has published a change to IFRS 7, "Financial Instruments: Disclosures" in connection with the change to IAS 32, "Financial Instruments: Presentation". The changes do not affect the basic principle of the present offsetting system according to IAS 32, where financial assets and liabilities must only be offset if a company has a legally enforceable right of offset on the reporting date and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

However, the changed disclosure requirements need more extensive information. The new disclosure obligations affect not only financial instruments, which are offset in the statement of financial position, but also financial instruments that are simply the subject of certain offsetting agreements, regardless of whether there is any actual offset in the financial statement.

The offsetting disclosures in IFRS 7 harmonized with US GAAP were applied by ANDRITZ retrospectively and added as an additional disclosure for the financial instruments (see Note L, Reporting on financial instruments).

In addition, the IASB published the IFRS 13 standard, "Fair Value Measurement". The standard provides uniform measurement criteria for fair value, also by defining the term and the methods used to determine it. Furthermore, IFRS 13 extends the information in the notes needed in connection with measurement of fair value. The fair values for all financial instruments must be divided into categories in future, depending, for example, on which measurement parameters are applied. In addition, the processes used to determine the fair value must be described specifically. ANDRITZ has adapted the information on the financial instruments (see Note L, Reporting on financial instruments) accordingly.

The supplements to IAS 12 and IFRIC 20 had no impact on the consolidated financial statements of ANDRITZ as of December 31, 2013.

### **C) STANDARDS 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:

<i>Standard/Interpretation</i>	<i>Title</i>	<b>Effective for annual financial statements for periods beginning on or after</b>	<b>Endorsement by EU</b>
IFRS 10	Consolidated financial statements	January 1, 2014	December 29, 2012
IFRS 11	Joint arrangements	January 1, 2014	December 29, 2012
IFRS 12	Disclosures of interests in other entities	January 1, 2014	December 29, 2012
IAS 27 (as revised in 2011)	Separate financial statements	January 1, 2014	December 29, 2012
IAS 28 (as revised in 2011)	Investments in associates and joint ventures	January 1, 2014	December 29, 2012
IAS 32 (as revised in 2011)	Offsetting of financial assets and financial liabilities	January 1, 2014	December 29, 2012
IFRS 9	Financial instruments	January 1, 2015	pending

This list contains an extract of the changes relevant for ANDRITZ.

The guidelines contained in IAS 27 and SIC 12 dealing with controlling and consolidation in consolidated financial statements will be replaced in future by the IFRS 10 published. The notes for consolidated companies and non-consolidated special-purpose entities (so-called structured companies) will be determined in future by IFRS 12.

In order to consolidate a company, it is still necessary to be able to control the other company, although the term "control" has been modified slightly compared to IAS 27. According to IFRS 10, a controlling relationship assumes the power of disposition, (positive and/or negative) rates of return, as well as a link between power of disposition and rates of return. Power of disposition is considered to be the means of controlling those activities by the associated company that have a substantial influence on the variable returns.

Power of disposition can be verified by means of voting rights or other contract rights. An investor has the power of disposition if he owns more than 50% of the voting rights in an associated company and if there are no other agreements or circumstances preventing this.

The IFRS 11 standard will replace the regulations in IAS 31 and SIC 13. IFRS 11 does away with the possibility of proportionate consolidation for joint ventures. This option was available according to IAS 31 in addition to inclusion at equity.



According to IFRS 11, a joint arrangement must be examined to determine whether it is a joint venture or a joint operation. If it is a joint venture, it is basically mandatory to apply the equity method. If it is a joint operation, the assets, liabilities, income, and expenses must be accounted for proportionately in the consolidated financial statements. The disclosure of joint arrangements in the notes will be specified by IFRS 12 in future.

ANDRITZ generally holds much more than 50% of the voting rights in its main subsidiaries so the new standards will not have any substantial influence on the consolidated financial statements.

Subject to endorsement by the EU, IFRS 9 is mandatory for financial years beginning on or after January 1, 2015. The new standard makes basic changes to the regulation applying so far to categorization and evaluation of financial assets and liabilities.

Adjustments to IAS 27, IAS 28, and IAS 32 will not have any substantial influence on the consolidated financial statements.

## D) CONSOLIDATED GROUP

The consolidated financial statements include ANDRITZ AG and those companies it controls provided that its influence on the assets, liabilities, financial position, and profit or loss of the Group is not of minor importance (see note S, Group companies). As a general principle, control is always present if ANDRITZ owns more than 50% of the voting rights in a company, whether directly or indirectly, in order to influence the financial and business policies of the company and profit from its activities. The share of equity and result attributable to non-controlling interests is shown separately in the consolidated statement of financial position, in the consolidated income statement, and in the statement of comprehensive income. The purchase method was applied for all companies acquired. Companies that were purchased or sold in the course of the year were considered in the consolidated financial statements as from the date of purchase or up to the time of their sale.

The consolidation scope changed as follows during the financial year:

	2013		2012	
	Full consolidation	Equity method	Full consolidation	Equity method
<b>Balance as of January 1</b>	<b>117</b>	<b>4</b>	<b>108</b>	<b>7</b>
Acquisition of companies	33	0	5	0
Changes in consolidation type				
Additions	6	0	7	0
Disposals	-5	-1	-1	-3
Reorganization	-5	0	-2	0
<b>Balance as of December 31</b>	<b>146</b>	<b>3</b>	<b>117</b>	<b>4</b>

Due to their minor importance for the assets, liabilities, financial position, and profit or loss, 60 subsidiaries (2012: 50) were not included. These subsidiaries are recognized as investments in non-consolidated companies at cost less any impairment losses in "Other investments".

In addition, 4 associated companies (2012: 4) were not included in the equity method of accounting due to their minor importance for the assets, liabilities, financial position, and profit or loss. These subsidiaries are recognized as investments in non-consolidated companies at cost less any impairment losses in "Other investments".

The influence of the non-consolidated subsidiaries, both individually and overall, on the net assets, financial position, and results of operations of the Group was of minor importance in the meaning of the framework provided in IAS/IFRS F.29f.

## E) ACQUISITIONS

### Schuler Group

In February 2013, takeover of the majority interest in Schuler AG received full and unrestricted approval from the anti-trust authorities responsible. The closing took place with assignment of the shares on February 14, 2013. The ANDRITZ GROUP held 92.8% (at closing of the takeover offer) of the shares in Schuler AG. The first-time consolidation of Schuler in the ANDRITZ consolidated financial statements took place from March 1, 2013. For the 92.8% shares the purchase price of 555.1 MEUR was paid in cash.

As technological and global market leader in metalforming, Schuler supplies machines, production lines, dies, process know-how, and services for the entire metalworking industry. With this acquisition, ANDRITZ is expanding its product and service portfolio in the METALS business area (ME).

After obtaining a controlling interest in the Schuler Group in February 2013, ANDRITZ acquired additional shares. The ANDRITZ GROUP recognized this participation rate change as an equity transaction.

#### **Shanghai Shende Machinery Co. Ltd.**

The ANDRITZ GROUP has acquired an 80% stake in Shanghai Shende Machinery Co. Ltd., a renowned supplier of technologies and systems for feed and biomass pelleting. The company, acquired for a purchase price of 9.7 MEUR paid in cash, generates annual sales of approximately 20 MEUR.

Shanghai Shende Machinery supplies process technologies including the entire equipment and service portfolio for mid-size capacity animal/aquatic feed and biomass pelleting plants.

With this acquisition, the feed technologies sector in the SEPARATION (SE) business area is strengthening its product and service portfolio and further enhancing its position in the growth markets of China and other Asian countries.

#### **FBB Engineering GmbH**

In March 2013, ANDRITZ acquired FBB Engineering GmbH, with headquarters in Mönchengladbach, Germany, for 6.2 MEUR. The company has around 40 employees in total and generates annual sales of approximately 7 MEUR. FBB engineering GmbH produces and supplies individual, custom-tailored refractory and burner products for the aluminum and steel industries. The company is assigned to the METALS (ME) business area.

#### **MeWa Recycling Maschinen und Anlagenbau GmbH (ANDRITZ MeWa GmbH)**

ANDRITZ acquired MeWa Recycling Maschinen und Anlagenbau GmbH, with headquarters in Germany, together with its subsidiary MeWa Recycling Keleti Régió Kft. located in Győr, Hungary, as part of an asset deal for 6.5 MEUR. The company has around 125 employees in total and generates annual sales of approximately 20 to 25 MEUR.

MeWa has been working in developing, designing, and servicing shredding and crushing equipment, as well as turnkey recycling plants, for more than 30 years. The company offers solutions for various applications, such as recycling of tires, electronic scrap and metal, and for the production of alternative fuels or disposal of refrigeration systems. Its customers include mainly small and medium-sized disposal companies and some large multinational corporations. The company has been assigned to the PULP & PAPER (PP) business area.

#### **Modul Systeme Engineering AG**

ANDRITZ has acquired the remaining 50% of Modul Systeme Engineering AG, with headquarters in Laufen, Germany, and its subsidiaries for a total of 3.5 MEUR. The ANDRITZ GROUP acquired the first 50% in 2010.

The company has approximately 45 employees in total and generates annual sales of about 15 MEUR. Modul has been supplying system and unit machines for the board manufacturing industry for over 30 years – from planning to delivery and on to start-up. In these plants, both used and new machinery from various manufacturers can be combined to form low-cost systems with a high technical standard. The company has been assigned to the PULP & PAPER (PP) business area.

#### **Vandenbroek Thermal Processing B.V.**

In June 2013, the ANDRITZ GROUP acquired certain assets of Vandenbroek Thermal Processing B.V., with headquarters in Waddinxveen, Netherlands, for the sum of 0.5 MEUR. As part of this acquisition, four employees were also transferred to the ANDRITZ GROUP in addition to the company's assets. Vandenbroek operates in the thermal drying sector, particularly for municipal waste (RDF), sludge, and biomass. The company specializes in development, design, and service work on drum drying plants and the equipment required for turnkey projects and it has a well-established customer base. The assets acquired have been assigned to the SEPARATION (SE) business area by ANDRITZ Technology and Asset Management GmbH.

#### **Hydreo Engineering**

The ANDRITZ GROUP has acquired certain assets of Hydreo Engineering, based in France, for the sum of 0.8 MEUR. The assets acquired have been assigned to the HYDRO (HY) business area.

#### **Warkaus Works Oy**

In December 2013, ANDRITZ acquired the remaining 50% of Warkaus Works Oy, with headquarters in Finland, for 0.9 MEUR. So far, Warkaus Works Oy was accounted for at equity, and at the date on which control was obtained, this transaction was treated as a step acquisition in accordance with IFRS 3 (Business Combinations). The company has been assigned to the PULP & PAPER (PP) business area.

The aggregated purchase price of the business combinations effected in 2013 amounted to 588,423 TEUR, while direct costs of acquisition amounted to 3,216 TEUR.

The estimated fair values of the assets acquired and liabilities assumed for the Schuler Group are as follows:

<i>(in TEUR)</i>	<b>IFRS net book value</b>	<b>Fair value allocations</b>	<b>Fair value</b>
Intangible assets	7,906	263,900	271,806
Property, plant, and equipment	154,915	20,000	174,915
Inventories	154,891	0	154,891
Trade and other receivables	265,338	0	265,338
Liabilities	-621,029	-99,170	-720,199
<b>Non-interest bearing net assets</b>	<b>-37,979</b>	<b>184,730</b>	<b>146,751</b>
Cash and cash equivalents	330,586	0	330,586
Financial assets	2,626	0	2,626
Financial liabilities	-107,519	0	-107,519
Goodwill	0	215,061	215,061
Non-controlling interests	-32,398	0	-32,398
<b>Net assets</b>	<b>155,316</b>	<b>399,791</b>	<b>555,107</b>

Including purchase price allocation effects and integration costs, the Schuler Group contributed sales of 966,587 TEUR and an EBIT of -2,901 TEUR to ANDRITZ GROUP since the consolidation date. Since the Schuler Group does not apply with the ANDRITZ accounting rules for the period before the first-time consolidation, no pro forma figures are given.

The Schuler Group for the period prior to the first-time consolidation the ANDRITZ accounting rules were not applied, no pro-forma numbers are specified.

The total of the estimated fair values of the assets acquired and liabilities assumed for the other acquisitions are as follows:

<i>(in TEUR)</i>	<b>IFRS net book value</b>	<b>Fair value allocations</b>	<b>Fair value</b>
Intangible assets	338	9,982	10,320
Property, plant, and equipment	3,953	0	3,953
Inventories	15,963	0	15,963
Trade and other receivables	6,897	0	6,897
Liabilities	-17,796	-1,829	-19,625
<b>Non-interest bearing net assets</b>	<b>9,355</b>	<b>8,153</b>	<b>17,508</b>
Marketable securities	0	0	0
Cash and cash equivalents	11,731	0	11,731
Financial assets	366	0	366
Financial liabilities	-2,451	0	-2,451
Goodwill	0	7,772	7,772
Non-controlling interests	-1,610	0	-1,610
<b>Net assets</b>	<b>17,391</b>	<b>15,925</b>	<b>33,316</b>

The other acquired entities contributed sales of 36,666 TEUR and an EBIT of -4,592 TEUR to the ANDRITZ GROUP since the respective consolidation date. If the businesses had been acquired at the beginning of 2013, the impact on consolidated sales would have been 43,079 TEUR and on the Group's EBIT -6,830 TEUR for the other entities.

Initial accounting for the businesses acquired in 2013 is based on preliminary figures.

#### **Acquisition of non-controlling interests**

After obtaining a controlling interest in the Schuler Group in February 2013, ANDRITZ acquired additional shares. The ANDRITZ GROUP recognized this participation rate change as an equity transaction.

### Acquisitions of 2012

The Group acquired 100% of Bricmont Inc., a company headquartered in Pittsburgh, Pennsylvania, USA, in March 2012 and 100% of Royal GMF-Gouda (Goudsche Machinefabriek) with headquarters in Waddinxveen, Netherlands, in December 2012. The net assets recognized in the consolidated financial statements as of December 31, 2012 were based only on a preliminary assessment of the fair value.

The details for 2012 were adjusted to illustrate the correction of the preliminary amounts. The goodwill was adjusted by 3,342 TEUR, other receivables by 287 TEUR, and deferred taxes by 3,629 TEUR. The effect of the currency conversion of the asset amounts to 44 TEUR as of December 31, 2012.

## F) ACCOUNTING AND VALUATION PRINCIPLES

The principal accounting policies adopted in preparing the consolidated financial statements of ANDRITZ are as follows:

### a) Consolidation principles

The separate financial statements of all fully consolidated companies compiled in accordance with uniform standards throughout the Group and complying with IFRS provisions form the basis of the consolidated financial statements.

Inter-company receivables, liabilities, and internal service charges, including interim results within the Group, were eliminated. The consolidated financial statements were compiled on the basis of uniform accounting principles for comparable business transactions.

Business combinations are accounted for by applying the acquisition method, whereby the purchase price is offset against the proportional share in the acquired company's net assets (capital consolidation). In doing so, the values at the acquisition date that corresponds to the date at which control of the acquired company was attained are used as a basis. The acquired identifiable assets, liabilities and contingent liabilities are generally recognized at their fair values irrespective of the extent attributable to non-controlling interests.

Application of the acquisition method requires certain estimates and assumptions to be made, especially concerning the fair values of the intangible assets and of the property, plant, and equipment acquired, of the liabilities assumed at the acquisition date, and of the useful lives of the intangible assets and of the property, plant, and equipment acquired.

Non-controlling interests can be measured either at cost (partial goodwill method) or at fair value (full goodwill method). The choice of method can be made on a case-to-case basis. The partial goodwill method is generally used within the ANDRITZ GROUP.

In step acquisitions, where a company is acquired in several stages, the fair values of the acquired entity's assets and liabilities are measured in accordance with IFRS 3 (Business Combinations) at the date on which control is obtained. Any resulting adjustments to the fair value of the existing interest are recognized in profit or loss. The carrying amount of the assets and liabilities already recognized in the statement of financial position is then adjusted accordingly.

### b) Currency conversion

The consolidated financial statements are compiled in euros.

#### Foreign currency transactions

Foreign currency transactions are recorded in the functional currency by applying the exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in the income statement in the period in which they arise.

#### Foreign subsidiaries

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

The major exchange rates used for foreign currency translation changed as follows during the reporting year:

In number  
of units  
per 1 EUR

Currency		Rate at reporting date		Average rate for year	
		December 31, 2013	December 31, 2012	2013	2012
BRL	Brazilian real	3.26	2.70	2.87	2.51
CAD	Canadian dollar	1.47	1.31	1.37	1.29
CHF	Swiss franc	1.23	1.21	1.23	1.21
CNY	Chinese yuan	8.35	8.22	8.23	8.13
DKK	Danish kroner	7.46	7.46	7.46	7.44
GBP	Pound sterling	0.83	0.82	0.85	0.81
INR	Indian rupee	85.37	72.56	77.88	69.09
SEK	Swedish kronor	8.86	8.58	8.66	8.71
USD	US dollar	1.38	1.32	1.33	1.29

### c) Intangible assets

Intangible assets are accounted for at cost. After initial recognition, intangible assets are accounted for at cost less accumulated amortization and any accumulated impairment losses. With the exception of goodwill, the intangible assets have a specific useful life and are therefore amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year-end.

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

Amounts paid for concessions, industrial rights, and similar rights are capitalized and then amortized on a straight-line basis over the expected useful life. The expected useful life lies between three and 15 years. Intangible assets acquired as a result of business combinations are customer relations, order backlog, technology, and brand names. Their useful lives in certain transactions lie between three and 10 years for customer relationship, between one and three years for order backlog, between three and 10 years for technology, and amount to 10 years for brand names.

#### Research and development costs

Expenses for development work are capitalized if a newly developed product or process can be clearly defined, is feasible from a technical, economic and capacity viewpoint, and if the company intends to use the product or process itself or to market the product or process. Furthermore, capitalization requires the expenses attributable to the intangible asset to be measured reliably during the development period and covered by future cash inflows with a sufficient degree of probability after their completion. Expenses for development work meeting these criteria are capitalized at production cost. The production costs include all costs directly attributable to the development process as well as a reasonable portion of the overheads relating to development. If there is no previous indication of possible impairment, the capitalized costs are checked annually for impairment losses up to completion of a development project. After completion, the capitalized development expenses are amortized as scheduled over the expected life cycle of the products.

Expenses for research are recognized directly through profit or loss.

### d) Goodwill

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

Any goodwill arising from business combinations is not amortized. However, it is tested for impairment losses in accordance with IAS 36 at least annually or more frequently if events or changes in circumstances indicate that it might be impaired. In determining whether the recognition of an impairment loss is required, goodwill is allocated to the cash-generating units that are expected to benefit from the synergies of the business combination. If the net book value exceeds the value-in-use that is calculated by using a Discounted Cash-Flow (DCF) calculation, an impairment loss is recognized. An impairment loss recognized for goodwill will not be reversed in a subsequent period.

Future payment surpluses are based on internal forecasts, which are prepared in detail for the next financial year and with simplifications for the following two years, and reflect the historical performance and best estimates on future developments. After this detailed planning phase, a constant level is assumed provided that there are no fundamental reasons not to do so. The discount rate used for DCF calculation is based on an interest rate representing the actual assessment of possible changes in exchange rates as well as specific risks of an asset. In consideration of the applicable currency and the corresponding risk profile, a discount rate between 8.52% and 15.30% was applied before tax.

Substantial goodwill was allocated at the acquisition date to existing cash-generating units of ANDRITZ AG (1999), of the pulp business acquired through the ANDRITZ-Ahlstrom Group (2000/2001), of the VA TECH HYDRO Group in the HYDRO business area (2006), and of the Schuler Group (2013). As the composition of the original cash-generating units has changed in the course of time due to reorganizations and changes in the reporting structure, the goodwill was reallocated accordingly.

#### **e) Property, plant, and equipment**

Property, plant, and equipment are stated at cost less accumulated depreciation and amortization, and any accumulated impairment losses. When assets are sold or retired, their costs and accumulated depreciation and amortization are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The cost of property, plant, and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of putting the asset into working condition and bringing it to the appropriate location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repair, maintenance, and overhaul costs, is charged to the income statement in the period in which the costs are incurred. Depreciation and amortization is calculated on a straight-line basis over estimated useful life as follows:

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

The useful life and the depreciation and amortization methods are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant, and equipment.

Assets under construction are considered as plant and properties under construction and are stated at cost. These include production costs and other direct costs.

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

#### **Government grants**

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

#### **Borrowing costs**

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

#### **f) Leases**

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

operating lease, the lease payments are generally expensed on a straight-line basis over the term of the leasing agreement. The leased asset remains on the balance sheet of the lessor under property, plant, and equipment.

#### **g) Shares in associated companies**

Investments in associated companies (generally investments of between 20% and 50% in a company's equity) where a significant influence is exercised by the Group are accounted for using the equity method. An assessment of the net book values of shares in associated companies is performed when there is an indication that impairment losses have been applied to the asset or that the impairment losses recognized in prior years no longer exist.

#### **h) Other investments**

These non-current assets consist primarily of non-current securities, loans against borrowers' notes, shares in non-consolidated companies, and other shares.

Non-current securities and loans against borrowers' notes are initially recognized at cost including transaction costs and are classified as available-for-sale investments. In subsequent periods, marketable securities are valued at fair value. Changes in these fair values are charged as other comprehensive income in equity until the security is disposed of or an impairment loss is recognized. In this case, the cumulative change previously recognized in equity is included in the income statement of the period. Interest income is recognized directly in the income statement for the period in which it is incurred.

Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost. This relates to other shares and shares in non-consolidated companies.

Financial assets classified as loans and receivables are measured at amortized costs using the effective interest method less any impairment losses.

#### **i) Trade accounts receivable**

Receivables are initially recognized at fair value and then at amortized cost after valuation allowances for doubtful accounts.

#### **j) Inventories**

Inventories, including work in progress and unfinished services, are valued at the lower of purchase or production cost and net realizable value after valuation provisions for obsolete and slow-moving items. The net realizable value is the selling price in the ordinary course of business minus costs of completion, marketing, and distribution. Cost is determined primarily on the basis of the FIFO method. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs. Unrealizable inventory is fully written off. Contracts other than construction contracts are valued at production costs. For these contracts, sales are recognized when the ownership of the goods is transferred ("completed contract method").

#### **k) Construction contracts**

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

#### **l) Marketable securities**

Marketable securities consist of government bonds, bonds and securities of top-rated banks, and funds. They are held for the purpose of investing liquid funds and are not generally intended to be retained on a long-term basis. Marketable securities are initially recognized at fair value plus transaction costs, and are classified as available-for-sale investments. In subsequent periods, marketable securities are valued at fair value. Changes in these fair values are charged as other comprehensive income until the security is disposed of or impaired losses

are applied. In case of a significant and not merely temporary decline in value, impairment losses are recognized in the income statement for the period concerned.

#### **m) Cash and cash equivalents**

Cash includes cash in hand and cash at banks. It may also include cash equivalents comprising short-term deposits with banks that have original maturities of three months or less and are not subject to any risk of change in value.

#### **n) Share capital**

Only ordinary shares exist, and all shares have been issued and have the same rights.

The share capital of ANDRITZ AG amounts to 104,000 TEUR, divided into 104 million shares of no-par value.

#### **o) Capital reserves**

Capital reserves are created in accordance with Austrian legal requirements and include share premium amounts.

#### **p) Retained earnings**

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

#### **q) Provisions**

A provision is recognized when, and only when, the enterprise has a current obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is significant, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

#### **r) Employee benefits**

##### **Pension obligations**

Some Group companies provide defined benefit pension plans for certain employees. The obligations are valued every year by professionally qualified independent actuaries. The obligations and expenses arising from pension benefits are determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The plan assets are deducted at fair value from this gross pension benefit obligation. This results in the net debt and the net asset value, respectively, to be reported.

Due to the net interest approach, the Group determines the net interest cost (net interest revenue) by multiplying the net debt (net asset value) at the beginning of the period by the interest rate based on discounting of the performance-related gross pension benefit obligation at the beginning of the period. The net interest component resulting from pension benefit obligations and plan assets is included in the consolidated income statement under interest result.

All remeasurement effects are shown in other comprehensive income. The remeasurement component includes the actuarial gains and losses from measurement of the performance-related gross pension benefit obligation on the one hand and the difference between actually realized return on plan assets and the typically assumed return on the other hand. In the event that the plan has been overfunded, the remeasurement component also contains the change in net asset value from applying the asset ceiling if this has not been considered in the net interest component.

If the present value of a defined benefit obligation changes as a result of plan changes or curtailments, ANDRITZ shows the resulting effects in the gains and losses for the period. Past service costs are generally recognized at the time the plan change occurs.

The pension obligation is measured at the present value of estimated future cash flows using different discount rates for different countries.

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



### Severance obligations

Some Group companies provide defined benefit pension plans for certain employees. No severance payments are made in the event of a voluntary resignation by the employee. Appropriate provisions are made for severance obligations. The obligations are valued every year by professionally qualified independent actuaries. The obligations and expenses arising out of pension benefits are determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The plan assets are deducted at fair value from this gross obligation. This results in the net debt and the net asset value, respectively, to be reported.

Due to the net interest approach, the Group determines the net interest expense (net interest earnings) by multiplying the net debt (net asset value) at the beginning of the period by the interest rate based on discounting of the gross obligation at the beginning of the period. The net interest component resulting from severance payment obligations and plan assets are included in the consolidated income statement under interest result.

All revaluation effects are shown in other comprehensive income. The revaluation component includes the actuarial gains and losses from measurement of the gross obligation on the one hand, and the difference between actually realized return on plan assets and the typically assumed return on the other hand. In the event that the plan has been overfunded, the revaluation component also contains the change in net asset value from applying the asset ceiling if this has not been considered in the net interest component.

If the present value of a defined benefit obligation changes as a result of plan changes or curtailments, ANDRITZ shows the resulting effects in the gains and losses for the period. Past service costs are generally recognized at the time the plan change occurs.

The pension obligation is measured at the present value of estimated future cash flows using different discount rates for different countries.

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

### s) Management share option programs

The 103<sup>rd</sup> Annual General Meeting held on March 26, 2010 adopted a share option program for managers and members of the Executive Board. The number of options granted to the different managers varies – depending on the area of responsibility – between 12,000, 20,000, 30,000, and 40,000 shares for managers, 80,000 for Executive Board members, and 100,000 for the Chief Executive Officer (CEO). 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, 2010 until each 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 103<sup>rd</sup> Annual General Meeting held on March 26, 2010.

The options can be exercised between May 1, 2013 and April 30, 2015 (= period of exercise) provided that the average unweighted closing price of the ANDRITZ share over twenty consecutive trading days within the period from May 1, 2012 to April 30, 2013 is at least 15% above the exercise price and the earnings per share in the 2011 financial year (based on the total number of shares listed); or the earnings per share in the 2012 financial year (based on the total number of shares listed) are at least 15% above the earnings per share in the 2009 financial year (based on the total number of shares listed); or the average unweighted closing price of the ANDRITZ share over twenty consecutive trading days within the period from May 1, 2013 to April 30, 2014 is at least 20% above the exercise price and the earnings per share in the 2012 financial year (based on the total number of shares listed); or the earnings per share in the 2013 financial year (based on the total number of shares listed) are at least 20% above the earnings per share in the 2009 financial year (based on the total number of shares listed).

If the conditions of exercise are met, 50% of the options can be exercised immediately, 25% after three months, and the remaining 25% after a further three months. Share options can only be exercised by way of written notification to the company. The share options are not transferable. The shares purchased under the share option program are not subject to a ban on sales over a certain period.

The options granted in 2010 totaled 2,066,000. The fair value of the options at the time of granting amounted to 8,362 TEUR, where no expense was recognized in 2013. The calculation of fair value was based on the Black-Scholes option pricing model. The share price at the time of granting the options was the closing price of the ANDRITZ share on May 4, 2010 and amounted to 22.34 EUR. The exercise price of 23.18 EUR was calculated in accordance with the rules of the share option program. A period of three years was assumed for the duration of the options. The expected dividend yield was fixed at 2.5%, using a discount rate of 4.8%. The value published by the Vienna Stock Exchange was applied as expected volatility. No further option granting parameters were used in the calculation.

The 105<sup>th</sup> Annual General Meeting held on March 22, 2012 adopted another share option program for managers and members of the Executive Board. The number of options granted to the different managers varies – depending on the area of responsibility – between 12,000, 20,000, 30,000 and 40,000 shares for managers, 80,000 for Executive Board members, and 100,000 for the Chief Executive Officer (CEO). 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, 2012 until each 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 105<sup>th</sup> Annual General Meeting held on March 22, 2012.

The options can be exercised between May 1, 2015 and April 30, 2017 (= period of exercise) provided that the average unweighted closing price of the ANDRITZ share over twenty consecutive trading days within the period from May 1, 2014 to April 30, 2015 is at least 15% above the exercise price and the earnings per share in the 2013 financial year (based on the total number of shares listed); or the earnings per share in the 2014 financial year (based on the total number of shares listed) are at least 15% above the earnings per share in the 2011 financial year (based on the total number of shares listed); or the average unweighted closing price of the ANDRITZ share over twenty consecutive trading days within the period from May 1, 2015 to April 30, 2016 is at least 20% above the exercise price and the earnings per share in the 2014 financial year (based on the total number of shares listed); or the earnings per share in the 2015 financial year (based on the total number of shares listed) are at least 20% above the earnings per share in the 2011 financial year (based on the total number of shares listed).

If the conditions of exercise are met, 50% of the options can be exercised immediately, 25% after three months, and the remaining 25% after a further three months. Share options can only be exercised by way of written notification to the company. The share options are not transferable. The shares purchased under the share option program are not subject to a ban on sales over a certain period.

The options granted in 2012 totaled 2,146,000. The fair value of the options at the time of granting amounts to 13,553 TEUR, thereof 5,576 TEUR have been reported as proportionate expense in 2013. The calculation of fair value was based on the Black-Scholes option pricing model. The share price at the time of granting the options was the closing price of the ANDRITZ share on May 11, 2012 and amounts to 39.17 EUR. The exercise price of 37.15 EUR was calculated in accordance with the rules of the share option program. A period of 3.2 years was assumed for the duration of the options. The expected dividend yield was fixed at 2.5%, using a discount rate of 1.25%. The expected volatility was calculated on the basis of the historical development of the ANDRITZ share during the 38 months preceding the grant.

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

#### **t) Financial instruments**

A financial instrument is a contract between two entities that gives rise to a financial asset at one entity and a financial liability or equity instrument of another entity.

Under IAS 39, all financial assets and liabilities, including derivative financial instruments, are to be covered in the balance sheet. The accounting for financial instruments is recognized on the trade date.

The valuation of financial instruments is based on their classification into the categories as specified below and then explained:

- Financial assets at fair value through profit or loss
- Loans and receivables

- Available-for-sale (AFS) financial assets
- Held to maturity investments
- Financial liabilities at fair value through profit or loss
- Other financial liabilities measured at amortized costs

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are assets which are either held by the Group for trading or which are designated at fair value through profit or loss.

Assets classified as held for trading are assets acquired or held for the purpose of selling or repurchasing in the short term or which are derivatives (except those that are designated as an effective hedging instrument).

Designated financial assets at fair value through profit or loss essentially include any financial assets that are designated irrevocably on initial recognition as one to be measured at fair value with fair value changes in profit or loss regardless of the intention of trade (fair value option).

The fair value option for a financial instrument is not exercised within the Group.

Financial assets generating profits from short-term fluctuations in the market price or dealer's margin are also not kept.

The Group uses derivative financial instruments to manage its exposure to foreign exchange rate risk and commodity price risk. In the Group, those derivatives that do not meet the strict criteria of a hedge according to IAS 39 (Hedge Accounting) are assigned to this category. Derivatives are initially recognized at fair value at the date on which the company enters into a derivative contract and are subsequently reassessed to their fair value at each balance sheet date. Any change in value resulting from changes in fair value is recognized in income statement.

Depending on the fair value of the derivative, it is recognized either under other receivables or other liabilities.

#### Loans and receivables

The Group classifies trade receivables, cost and earnings of projects under construction in excess of billings, loans, and other receivables with fixed or determinable payments that are not quoted in an active market as "loans and receivables". Loans and receivables are measured at amortized costs less any impairment losses.

#### Available-for-sale (AFS) financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss, or loans and receivables. Equity securities (e.g. shares), debt securities (e.g. bonds), and other investments (e.g. fund shares) held by the Group are designated as AFS financial assets.

AFS financial assets are stated at fair value. Changes in value resulting from changes in fair value are recognized in other comprehensive income as change in the reserve for financial investments (IAS Reserve), with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized directly through profit or loss. Where the financial instrument is disposed of or is determined to be impaired, the cumulative changes previously recognized in the financial investments reserve is included in profit or loss for the period.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive payments is established.

#### Held to maturity

This category will not be further elaborated because the Group does not have a held-to-maturity portfolio.

#### Financial liabilities at fair value through profit or loss

The Group classifies its financial liabilities at fair value through profit or loss if the financial liability is held for trading or if it is a derivative that is not designated or effective as a hedging instrument. The fair value option for a financial instrument is not exercised within the Group.

The Group uses derivative financial instruments to manage its exposure to interest and foreign exchange rate risk and to commodity price risk. In the Group, those derivatives that do not meet the strict criteria of a hedge according to IAS 39 (Hedge Accounting) are assigned to this category. Derivatives are initially recognized at fair value at the date of entering into a derivative contract. Any change in value resulting from changes in fair value is recognized in the income statement.

Depending on the fair value of the derivative, it is recognized either under other receivables or other liabilities.

The Group does not keep any financial liabilities that generate profits from short-term fluctuations in the market price or dealer's margin.

#### Other financial liabilities measured at amortized costs

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Subsequently, they are measured at amortized costs using the effective interest method, with interest cost recognized on an effective yield basis.

#### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively impacted. For financial assets carried at amortized costs, the amount of the impairment is the difference between the asset's net book value and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying value of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying value of the allowance account are recognized through profit or loss.

The previously recognized impairment loss is reversed through profit or loss up to the extent of the initial impairment if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. The reversal shall not result in a carrying value of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The exceptions are AFS equity instruments, for which any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. No reversal is made if the reasons for impairment of equity instruments, which are measured at cost, no longer apply.

#### Financial liabilities and equity instruments issued by the Group – classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### Fair value of financial instruments

The fair value of financial assets (liabilities) is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement of financial instruments at fair value follows a three-level hierarchy and is oriented according to the proximity of the applied measurement factors to an active market.

Level 1 involves the measurement of financial instruments, such as securities, listed on active markets. In this context, a quoted market price is the best evidence for the fair value if financial assets (liabilities) are traded on active markets.

If no active market exists, generally accepted valuation techniques are used to determine what the price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, and if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models. These financial instruments belong to those measured

according to level 2 if their measurement is based on market-related, recognized financial valuation models, where the measurement factors can be observed directly or indirectly on active markets.

If the main measurement factors cannot be observed on active markets, the financial instrument is assigned to level 3.

If no quoted market price and no reliable valuation techniques are available, the financial instrument is measured at cost.

#### Hedge Accounting

ANDRITZ designated the bonds issued and the corresponding interest rate swaps as being a hedging relationship accounted for as a fair value hedge according to IAS 39. At the inception of the hedge relationship, the ANDRITZ GROUP documented the relationship between the hedging instrument and hedged item, together with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, the Group documents at the inception of the hedge and on an ongoing basis whether the swaps are highly effective in offsetting changes in fair values or cash flows of the hedged item.

The Group also uses hedge accounting for other interest and currency derivatives. As these form an effective hedge according to the requirements of IAS 39 (Hedge Accounting), they are recorded as fair value hedge or as cash flow hedge.

#### Fair value hedge

Applying the rules for hedge accounting, the change in the fair value as hedging instrument is recognized through profit or loss. The gain or loss on the hedged item attributable to the changes of the hedged risk results in an adjustment of the net book value of the hedged item, which is also recognized through profit or loss. In this manner, the gains and losses resulting from the changes in fair value of the hedging instrument and the hedged item offset each other if the hedge is 100% effective. Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the net book value of the hedged item arising from the hedged risk is released to profit or loss from that date.

#### Cash flow hedge

According to the rules for hedge accounting, the changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized directly in the IAS 39 reserve in shareholders' equity. Otherwise gains and losses initially recognized in equity for all other cash flow hedges are transferred from IAS 39 reserve to net profit or loss in the same period or periods during which the hedged firm commitment or forecast transaction affects the income statement.

#### Embedded derivatives

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

#### Recognition and derecognition

If the Group qualifies as a party to the contract concerning the contract regulations, financial assets and financial liabilities are recognized in the consolidated statement of financial position in accordance with the substance of the contractual arrangement. Financial assets and liabilities included in the balance sheet include cash and cash equivalents, marketable securities, trade and some other accounts receivable and payable, non-current receivables, interest-bearing borrowings, issued bonds, and investment securities.

Financial instruments are recognized and derecognized on the trade date. This is the day of purchase or sale of a financial asset on which the contract terms require delivery of the financial asset within the time frame established by the market concerned.

Financial assets are initially measured at fair value plus transaction costs, except for those financial assets classified as being at fair value through profit or loss. These are initially measured at fair value without transaction costs. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

#### **u) Revenue recognition (except for construction contracts)**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognized net of sales taxes and discounts when delivery has taken place and transfer of risks and rewards has been completed. Interest is recognized pro rata based on the respective interest rate. Dividends are recognized when the shareholders' right to receive payment is established.

#### **v) Income taxes**

Tax expenditure includes current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that the taxes are linked to a business combination or to items recognized in other comprehensive income.

Actual taxes are the expected tax due or tax receivable on the taxable income or the tax loss for the financial year based on the rates of taxation effective on the reporting date and all adjustments to the tax debt in respect of previous years. Actual tax liabilities also contain all tax debts arising as a result of dividends being declared.

Deferred taxes are recognized in respect of temporary differences between the net book value of assets and liabilities for Group accounting purposes and the amounts used for income tax purposes. Deferred taxes are not recognized for:

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

Deferred taxes are measured in accordance with the taxation rates (and regulations) applying on the balance sheet date or have essentially been passed as law and are expected to be applicable on the date when the deferred tax credits are realized or deferred tax liabilities are settled.

A deferred tax asset is recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which it can be utilized. Deferred tax credits are assessed at every reporting date and reduced to the extent to which it is no longer likely that the related tax advantage will be realized. In this assessment the Group targets tax preview for the next five financial years.

To the extent that the deferred taxes relate to the same taxable entity and the same tax authority and that there is also a legally enforceable right to offset actual tax receivables against actual tax liabilities, deferred tax assets and liabilities are offset. Actual tax receivables and liabilities are offset if a legal right exists towards a tax authority to settle on a net basis.

#### **w) Contingent assets and liabilities**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

### **G) USE OF ESTIMATES**

Preparation of the consolidated financial statements requires the management to make estimates and assumptions that can affect the reported amounts of assets, liabilities, income, and expenses as well as amounts reported in the notes. Actual results may differ from these estimates.

The Group has made judgments in the process of applying the company's accounting policies. Additionally, at the balance sheet date, the Group made the following key assumptions concerning the future and has identified other key sources of estimation uncertainty at the balance sheet date that bear a significant risk of causing a material adjustment to the net book values of assets and liabilities within the next financial year:

**1. Construction contracts:** The accounting for construction contracts is based on estimations for costs and recoverable earnings. Although these estimations are based on all information available on the balance sheet date, substantial changes after the balance sheet date are possible. These changes could lead to adjustments of assets and may influence earnings in subsequent periods.

**2. Pensions and other employee benefits:** The valuation of the various pension plans is based on a methodology using such parameters as the expected discount rate, salary and pension increases, and return on plan assets. If the relevant parameters develop materially differently than expected, this could have a material impact on the Group's defined benefit obligation and subsequently, on the related expenses.

**3. Provisions:** Provisions are also recognized and measured on the basis of an estimate of the scale and likelihood of occurrence of future events and of an estimate of the discounting rate of interest. Past experience is also used as far as possible.

**4. Impairment:** The impairment analysis for goodwill, other intangible assets, and tangible assets is based primarily upon discounted, estimated future cash flows from the continued use and disposal of an asset at the end of its useful life. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates used could lead to impairment. Regarding the net book value of goodwill, intangible assets, and property, plant and equipment, please refer to note J), notes to the consolidated statement of financial position.

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

**6. Deferred taxes:** In assessing the recoverability of deferred tax assets, the Group considers whether it is probable that all the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. If the company does not generate sufficient taxable income, deferred tax assets on loss carry-forwards cannot be used and a valuation allowance will have to be recorded.

## H) NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 1. Sales

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
Contract revenue recognized as sales in the current period	3,946,241	3,675,491
Other	1,764,532	1,501,389
	<b>5,710,773</b>	<b>5,176,880</b>

In the segment information (see note I), Group sales are shown according to business area and region. Sales recognized from construction contracts according to the PoC method in the financial year are shown as "Contract revenue recognized as sales in the current period". "Other" largely contains orders recognized according to the completed contract method.

### 2. Other operating income

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
Exchange rate gains	36,694	25,082
Government grants	11,487	12,040
Insurance income	10,360	5,694
Rental income	6,208	2,508
Profit on disposal of intangible and tangible assets	1,171	617
Other	54,914	33,665
	<b>120,834</b>	<b>79,606</b>

### 3. Cost of materials

<i>(in TEUR)</i>	2013	2012
Expenses for raw materials, supplies and goods purchased	2,386,973	2,297,049
Expenses for services purchased	845,465	746,612
	<b>3,232,438</b>	<b>3,043,661</b>

### 4. Personnel expenses

<i>(in TEUR)</i>	2013	2012
Wages and salaries	1,197,955	895,005
Social security and payroll-related duties	198,708	145,834
Other	46,029	39,931
Pension expenses	36,727	28,302
Severance expenses	38,782	4,779
	<b>1,518,201</b>	<b>1,113,851</b>

### 5. Other operating expenses

<i>(in TEUR)</i>	2013	2012
Sales expenses	344,140	313,865
Repairs and maintenance	72,673	46,396
Rents and leases	72,372	53,752
Administrative expenses	60,436	53,565
Exchange rate losses	36,372	23,702
Insurance premiums and charges	35,721	26,957
Expenses for valuation allowance for receivables	19,819	22,434
Expenses for industrial patents, rights, licenses	9,999	8,229
Losses on disposal of intangible and tangible assets	1,638	484
Other	174,814	127,781
	<b>827,984</b>	<b>677,165</b>

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

<i>(in TEUR)</i>	2013	2012
<b>Intangible assets</b>		
Depreciation and amortization	78,011	28,942
Impairment	522	52
<b>Property, plant, and equipment</b>		
Depreciation and amortization	76,552	54,274
Impairment	6,535	429
	<b>161,620</b>	<b>83,697</b>

In the 2013 financial year, the value-in-use was reduced as a result of negative earnings prospects for Schuler Guß GmbH & Co. KG, with the result that unscheduled depreciation and amortization in the amount of 2,101 TEUR was recognized on the tangible fixed assets. In addition an impairment of a pilot plant was recorded in an amount of 3,498 TEUR.

### 7. Financial result

<i>(in TEUR)</i>	2013	2012*
Income/expense from associated companies	-185	-1,392
Interest result	-8,590	2,592
Other financial result	-735	-5,252
	<b>-9,510</b>	<b>-4,052</b>

\* Adjusted to comply with IAS 19 – see Note B – Accounting principles



The interest result contains 9,702 TEUR (2012 adjusted: 9,077 TEUR) for interest costs on pensions, severance payments and jubilee payments, as well as on expected return on plan assets.

## 8. Income taxes

Expenditure for taxes on income and earnings comprises the following items:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012*</b>
Current tax expense	-97,667	-103,666
Deferred tax benefit relating to the origination and reversal of temporary differences	70,582	14,501
	<b>-27,085</b>	<b>-89,165</b>

\* Adjusted to comply with IAS 19 – see Note B – Accounting principles

The changes in deferred taxes are as follows:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012*</b>
Deferred tax assets	125,252	107,180
Deferred tax liabilities	-93,912	-85,155
<b>Balance as of January 1</b>	<b>31,340</b>	<b>22,025</b>
Deferred taxes recognized in comprehensive income	-1,311	4,987
Changes of scope of consolidation	-59,333	-10,173
Changes of deferred taxes recognized through income statement		
Deferred taxes relating to the origination and reversal of temporary differences	66,986	13,681
Tax effect from change in tax rate	-4,576	-210
Recognition/Change of previously unrecognized deferred tax assets	8,172	1,030
	<b>41,278</b>	<b>31,340</b>
thereof		
Deferred tax assets	200,318	125,252
Deferred tax liabilities	-159,040	-93,912

\* Adjusted to comply with IAS 19 – see Note B – Accounting Principles and IFRS 3 – see Note E – Acquisitions.

The maturities of the deferred taxes before offset with the same tax jurisdiction comprise the following:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012*</b>
Deferred tax assets, to be realized in more than 12 months	148,426	74,563
Deferred tax assets, to be realized within 12 months	482,408	420,785
Deferred tax assets	630,834	495,348
Deferred tax liabilities, to be realized in more than 12 months	-127,745	-62,624
Deferred tax liabilities, to be realized within 12 months	-461,811	-401,384
Deferred tax liabilities	-589,556	-464,008

\* The amounts were adjusted and do not correspond with the amounts disclosed in the consolidated financial statements 2012. The change is a result of completing the initial accounting for the acquisition of Bricmont Inc., USA – see Note E – Acquisitions.

Transfer of the calculated income tax expenditure to the effective tax expenditure is shown as follows: The calculated tax expenditure, amounting to 20,069 TEUR, is obtained by multiplying the result before tax, amounting to 80,277 TEUR, by the 25% rate of taxation applicable for ANDRITZ AG.

<i>(in TEUR)</i>	<b>2013</b>	<b>2012*</b>
Earnings Before Taxes (EBT)	80,277	330,422
Calculated tax expense (25% in 2013 and 25% in 2012)	-20,069	-82,606
Increase (-)/Decrease (+) of tax expense by:		
Non-deductible expenses	-8,897	-9,384
Tax allowances	4,048	8,162
Tax free income (expenses) from investments	458	230
Tax differential	2,004	-2,942
Tax effect from change in tax rate	-4,576	-210
Tax income/expense from prior periods	1,071	2,850
Change of temporary differences not accrued for	8,172	1,030
Non-deductible impairment of goodwill	-1,114	-103
Non-allowable withholding taxes, foreign operating site taxes	-10,599	-6,940
Other	2,417	748
<b>Effective tax expense</b>	<b>-27,085</b>	<b>-89,165</b>
in % of EBT	-33.7%	-27.0%

\* Adjusted to comply with IAS 19 – see Note B – Accounting principles

The nominal income tax rates applying to subsidiaries abroad at the end of the financial year were between 14.4% and 38.9% (between 12.5% and 47.8% in the previous year).

Active and passive deferred taxes as of December 31, 2013 and 2012 are the result of the following temporary valuation differences between the book values in the IFRS balance sheet and the relevant tax bases.

<i>(in TEUR)</i>	<b>2013</b>		<b>2012*</b>	
	<b>assets</b>	<b>liabilities</b>	<b>assets</b>	<b>liabilities</b>
Intangible assets	1,979	-83,490	5,197	-22,885
Property, plant, and equipment	8,220	-28,022	5,488	-17,566
Financial assets	1,928	-9,602	5,057	-9,523
Inventories	269,381	-60,394	292,333	-11,426
Receivables and other assets	31,520	-96,987	18,250	-67,450
	<b>313,028</b>	<b>-278,495</b>	<b>326,325</b>	<b>-128,850</b>
Provisions	132,400	-34,569	110,924	-28,209
Liabilities	132,547	-279,746	62,750	-306,950
	<b>264,947</b>	<b>-314,315</b>	<b>173,674</b>	<b>-335,159</b>
Tax loss carry-forwards	133,437	0	59,854	0
<b>Deferred tax assets/liabilities</b>	<b>711,412</b>	<b>-592,810</b>	<b>559,853</b>	<b>-464,009</b>
Valuation allowance for deferred tax assets	-77,324	0	-64,504	0
Offset within legal tax units and jurisdiction	-433,770	433,770	-370,097	370,097
<b>Net deferred tax assets and liabilities</b>	<b>200,318</b>	<b>-159,040</b>	<b>125,252</b>	<b>-93,912</b>

\* The amounts were adjusted and do not correspond with the amounts disclosed in the consolidated financial statements 2012. The change is a result of completing the initial accounting for the acquisition of Bricmont Inc., USA – see Note E – Acquisitions.

High amounts for deferred tax assets for inventories and deferred tax liabilities for liabilities are due to different presentation in local tax statements and IFRS as well as netting of inventories and liabilities in local tax statements.

On the date of the balance sheet, the Group has the following operating loss carry-forwards amounting to 628,954 TEUR (210,646 TEUR in the previous year). This includes corporate tax loss carry-forwards in Germany amounting to 240,299 TEUR (49,802 TEUR in the previous year), trade tax loss carry-forwards amounting to 142,073 TEUR (0 TEUR in the previous year), and interest carry-forwards amounting to 7,574 TEUR (0 TEUR in the previous year). In addition, there is a fiscal unit for corporation tax purposes in Germany between ANDRITZ Deutschland Beteiligungs-GmbH as controlling company and 13 controlled companies.

Estimates of the future realization of deferred tax assets are the deciding factor in assessing the recoverability of deferred tax assets. This realization is dependent on the generation of future taxable profits during the periods in which temporary assessment differences and tax loss carry-forwards can be utilized. This assessment takes

account of the probability of the deferred tax liabilities being reversed as well as the future taxable profits. Due to careful planning, loss carry-forwards are only included to the extent that taxable income can be expected. Tax preview for the next five financial years is targeted in this assessment.

As a result, no deferred tax assets have been recognized for the following issues (gross values):

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
Deductible temporary differences	65,410	32,339
Tax loss carry-forwards	242,162	182,902

### 9. Earnings per share

Basic earnings per share (as stated further below in the consolidated income statement) are calculated by dividing the net income for the period attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period.

Diluted basic earnings per share are calculated by dividing the net income for the period attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period with consideration of share options.

<i>(in TEUR)</i>	<b>2013</b>	<b>2012*</b>
Net income attributable to shareholders of the parent	66,609	242,690
Weighted average number of no-par value shares	103,412,589	103,242,216
Effect of potential dilution of share options	852,786	863,391
Weighted average number of no-par value shares and share options	104,265,375	104,105,607
Basic earnings per no-par value share (in EUR)	0.64	2.35
Diluted earnings per no-par value share (in EUR)	0.64	2.33

\* Adjusted to comply with IAS 19 – see Note B – Accounting principles

## I) SEGMENT REPORTING

### Business areas

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

#### HYDRO (HY)

Electromechanical equipment – in particular turbines and generators – for new hydropower stations and modernization of existing hydropower stations; pumps for the pulp and paper industry and other applications (e.g. for drinking water supply).

#### PULP & PAPER (PP)

Plants and services for the production of all types of pulp (chemical pulp, mechanical, recycled fiber pulps), paper, board, tissue, and medium-density fiberboard (MDF); biomass boilers for power generation; systems for the production of plastic film.

#### METALS (ME)

Production and finishing lines for metal strip, especially for stainless and carbon steel.

#### SEPARATION (SE)

Plants, equipment, and services for solid/liquid separation in the municipal sector and for certain industries (e.g. mining, chemical and petrochemical industries, food industry), as well as plants, equipment, and services for the production of animal feed and biomass pellets (mainly wood pellets).

The FEED & BIOFUEL business area was allocated to the SEPARATION business area as of January 1, 2013, due to falling below the quantitative threshold according IFRS 8. The reference figures for the previous year have been adjusted accordingly.

These strategic business areas form the basis of the internal reporting structure to the Executive Board as the key decision maker.

The accounting and valuation principles of the individual segments are the same as those of the Group (see note F, Accounting and valuation principles).

According to the internal reporting structure, all sales and all direct and indirect expenses (including overhead and administrative costs) are allocated to business areas and reflect the management structure of the organization and the predominant sources of risks and opportunities. The key measure of operating performance for the Group is Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA). There are no substantial inter-segmental transactions. All consolidation effects related to income statement are included in the relevant business area.

### Geographical segmentation

The Group's activities are mainly conducted in Europe, North America, South America, and Asia.

External sales allocated by geographical segments are based on the geographical location of the company's customers.

There are no sales from transactions with a single external customer that amount to 10% or more of the Group's sales.

### 2013 Business area information

<i>(in TEUR)</i>	HY	PP	ME	SE	Total
Sales	1,804,752	2,005,331	1,310,948	589,742	5,710,773
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	176,772	-11,514	76,604	13,345	255,207
Capital expenditure	44,511	25,965	32,651	8,227	111,354
Depreciation, amortization and impairment of intangible assets and property, plant, and equipment	34,562	33,870	70,486	22,702	161,620
Share of net profit/loss of associates	0	-185	0	0	-185
Shares in associated companies	0	0	0	0	0

### Information according to geographical segments

<i>(in TEUR)</i>	Europe	North America	South America	Asia	Rest of the world and consolidation	Total
External sales	2,472,678	898,417	766,240	1,347,466	225,972	5,710,773
Non-current assets	937,764	97,445	62,624	73,267	434,091	1,605,191
Capital expenditure	85,424	8,447	5,335	12,032	116	111,354

External sales for Europe contain an amount of 238,667 TEUR for sales realized in Austria. Non-current assets of 285,798 TEUR are located in Austria.

Non-current assets consist of property, plant and equipment, goodwill, intangible assets, trade accounts receivable, as well as other non-current receivables and other assets.

### 2012 Business area information

<i>(in TEUR)</i>	HY	PP	ME	SE*	Total
Sales	1,836,756	2,282,244	404,672	653,208	5,176,880
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	182,446	156,182	27,964	51,976	418,568
Capital expenditure	56,726	36,391	2,567	13,428	109,112
Depreciation, amortization and impairment of intangible assets and property, plant, and equipment	37,591	30,185	5,716	10,205	83,697
Share of net profit/loss of associates	-872	-520	0	0	-1,392
Shares in associated companies	0	555	0	0	555

\* The FEED & BIOFUEL business area was assigned to the SEPARATION business area as of January 1, 2013. The reference figures for the previous year were adjusted accordingly.

**Information according to geographical segments**

<i>(in TEUR)</i>	<b>Europe</b>	<b>North America</b>	<b>South America</b>	<b>Asia</b>	<b>Rest of the world and consolidation</b>	<b>Total</b>
External sales	1,916,910	732,559	1,201,566	1,148,752	177,093	5,176,880
Non-current assets	547,216	106,661	75,216	73,457	203,372	1,005,922
Capital expenditure	85,490	5,826	3,814	13,337	645	109,112

External sales for Europe contain an amount of 169,350 TEUR for sales realized in Austria. Non-current assets of 295,628 TEUR are located in Austria.

Non-current assets consist of property, plant and equipment, goodwill, intangible assets, trade accounts receivable, as well as other non-current receivables and other assets.

**J) NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION****10. Intangible assets**

The intangible assets changed as follows:

<i>(in TEUR)</i>	Intangible assets related to customers and technologies	Other intangible assets	Total
<b>COST</b>			
<b>Balance as of December 31, 2011</b>	<b>117,372</b>	<b>57,853</b>	<b>175,225</b>
Additions	0	5,493	5,493
Disposals	-38,695	-874	-39,569
Transfers	0	142	142
Currency translation adjustments	113	-759	-646
Changes in consolidation scope	47,158	-1,124	46,034
<b>Balance as of December 31, 2012</b>	<b>125,948</b>	<b>60,731</b>	<b>186,679</b>
Additions	0	6,252	6,252
Disposals	-881	-7,977	-8,858
Transfers	0	478	478
Currency translation adjustments	-1,246	-1,686	-2,932
Changes in consolidation scope	273,882	8,494	282,376
<b>BALANCE AS OF DECEMBER 31, 2013</b>	<b>397,703</b>	<b>66,292</b>	<b>463,995</b>
<b>ACCUMULATED DEPRECIATION</b>			
<b>Balance as of December 31, 2011</b>	<b>-55,966</b>	<b>-42,021</b>	<b>-97,987</b>
Depreciation and amortization	-22,942	-6,000	-28,942
Impairment losses recognized during the period	0	-52	-52
Disposals	38,695	825	39,520
Transfers	0	-18	-18
Currency translation adjustments	75	562	637
Changes in consolidation scope	0	1,273	1,273
<b>Balance as of December 31, 2012</b>	<b>-40,138</b>	<b>-45,431</b>	<b>-85,569</b>
Depreciation and amortization	-70,529	-7,482	-78,011
Impairment losses recognized during the period	0	-522	-522
Disposals	881	7,300	8,181
Transfers	0	-7	-7
Currency translation adjustments	330	1,267	1,597
Changes in consolidation scope	0	-206	-206
<b>BALANCE AS OF DECEMBER 31, 2013</b>	<b>-109,456</b>	<b>-45,081</b>	<b>-154,537</b>
<b>NET BOOK VALUE</b>			
Balance as of December 31, 2012	85,810	15,300	101,110
Balance as of December 31, 2013	288,247	21,211	309,458

**Research and development costs**

Expenditure for research and non-capitalized development costs was considered in the amount of 92,629 TEUR in 2013 and of 78,182 TEUR in 2012. Development costs were not capitalized in the 2013 financial year because the criteria for capitalization according to IAS 38 were not met.

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

**Collateral securities**

Numerous collateral securities must be provided under a syndicated loan agreement concluded by Schuler AG and its main subsidiaries with a consortium of banks and credit insurance companies. In particular, these cover proportional and account pledges, transfers of title, liens on property, storage transfers, and liens on industrial property rights. The explanatory notes on the limitations on disposal of various assets in the following reflect the respective financial statements of the assets concerned, but not the extent of the actual amounts drawn under a

credit facility. The collateral securities result in limitations on disposal of intangible assets in the amount of 25,981 TEUR (2012: 0 TEUR).

## 11. Goodwill

The following table illustrates the changes in the amount of goodwill for the periods ended December 31, 2013 and 2012:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012*</b>
<b>COST</b>		
Balance as of January 1	490,360	464,306
Currency translation adjustments	-7,747	-1,978
Changes in consolidation scope	222,423	31,374
Remeasurement (IFRS 3)	0	-3,342
<b>Balance as of December 31</b>	<b>705,036</b>	<b>490,360</b>
<b>ACCUMULATED IMPAIRMENT</b>		
Balance as of January 1	175,971	179,593
Currency translation adjustments	-4,393	-1,772
Impairment losses recognized during the period	3,800	397
Changes in consolidation scope	-409	-2,247
Remeasurement (IFRS 3)	0	0
<b>Balance as of December 31</b>	<b>174,969</b>	<b>175,971</b>
<b>NET BOOK VALUE</b>		
Balance as of January 1	314,389	284,713
Balance as of December 31	530,067	314,389

\* The amount of goodwill has been restated and do not correspond to the amount published in the 2012 consolidated financial statements. This change results from the final assessment of the acquisition of Bricmont Inc., USA and Royal GMF-Gouda (Goudsche Machinefabriek), Netherlands.

These are divided between the business areas as follows:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
HYDRO	123,667	127,935
PULP & PAPER	120,123	121,678
METALS	245,627	27,328
SEPARATION	40,650	37,448
	<b>530,067</b>	<b>314,389</b>

### Impairment

In the 2013 financial year, an impairment of goodwill was made in an amount of 3,800 TEUR. This relates to an acquisition in the sector for energy generation from tidal currents because the business did not develop according to plan. This impairment of goodwill relates to the HYDRO business area. In 2012, impairment losses of 397 TEUR were recorded for goodwill in the PULP & PAPER business area.

### Discretionary judgments and forward-looking assumptions

ANDRITZ conducts the regular impairment test for goodwill once a year in the fourth quarter of the year concerned. Planning is conducted generally at the level of individual cash-generating units and is based on internal planning, which is prepared for the next three financial years. After these planning periods it is assumed that the level will remain the same. Under consideration of the applicable currency and the corresponding risk profile, a discount rate between 8.52% and 15.30% was applied before tax.

In order to validate the values in use determined as of December 31, 2013, other scenarios were conducted with respect to the calculation parameters described above. The management considered the following scenarios possible:

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

The change would have required the following effects on the impairment if all other parameters remained the same:

(in TEUR)	Change	Discount rate		Planned cash flows	
		+0.5%	-0.5%	+10%	-10%
<b>IMPAIRMENT</b>		<b>-316</b>	<b>685</b>	<b>959</b>	<b>-2,531</b>

## 12. Property, plant and equipment

Property, plant and equipment changed as follows:

(in TEUR)	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction and advance payments	Total
<b>COST</b>					
<b>Balance as of December 31, 2011</b>	<b>289,689</b>	<b>357,662</b>	<b>126,199</b>	<b>34,115</b>	<b>807,665</b>
Additions	36,834	26,367	18,964	21,454	103,619
Disposals	-423	-8,650	-9,906	-167	-19,146
Transfers	17,383	11,607	3,631	-32,763	-142
Currency translation adjustments	-476	-3,867	-2,007	83	-6,267
Changes in consolidation scope	10,512	4,249	3,687	0	18,448
<b>Balance as of December 31, 2012</b>	<b>353,519</b>	<b>387,368</b>	<b>140,568</b>	<b>22,722</b>	<b>904,177</b>
Additions	17,759	30,325	20,740	36,278	105,102
Disposals	-2,402	-13,169	-9,936	-41	-25,548
Transfers	13,677	29,666	-4,431	-39,390	-478
Currency translation adjustments	-5,724	-15,454	-6,423	-803	-28,404
Changes in consolidation scope	95,452	50,456	19,952	17,561	183,421
Other adjustments	1,612	13,751	6,868	0	22,231
<b>BALANCE AS OF DECEMBER 31, 2013</b>	<b>473,893</b>	<b>482,943</b>	<b>167,338</b>	<b>36,327</b>	<b>1,160,501</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>Balance as of December 31, 2011</b>	<b>-97,685</b>	<b>-198,289</b>	<b>-78,322</b>	<b>0</b>	<b>-374,296</b>
Depreciation and amortization	-8,987	-29,124	-16,150	-13	-54,274
Impairment losses recognized during the period	0	-429	0	0	-429
Disposals	293	7,662	9,073	0	17,028
Transfers	-32	270	-220	0	18
Currency translation adjustments	369	1,214	892	0	2,475
Changes in consolidation scope	7	-49	-470	0	-512
<b>Balance as of December 31, 2012</b>	<b>-106,035</b>	<b>-218,745</b>	<b>-85,197</b>	<b>-13</b>	<b>-409,990</b>
Depreciation and amortization	-15,045	-39,807	-21,700	0	-76,552
Impairment losses recognized during the period	-365	-4,499	-1,671	0	-6,535
Disposals	1,109	10,116	8,301	13	19,539
Transfers	0	-4,255	4,262	0	7
Currency translation adjustments	1,596	6,444	3,168	0	11,208
Changes in consolidation scope	-135	-2,059	-274	0	-2,468
Other adjustments	-1,612	-13,751	-6,868	0	-22,231
<b>BALANCE AS OF DECEMBER 31, 2013</b>	<b>-120,487</b>	<b>-266,556</b>	<b>-99,979</b>	<b>0</b>	<b>-487,022</b>
<b>NET BOOK VALUE</b>					
Balance as of December 31, 2012	247,484	168,623	55,371	22,709	494,187
Balance as of December 31, 2013	353,406	216,387	67,359	36,327	673,479

In subsidiaries the cost and accumulated depreciation were adjusted in the same amount. The Group recognized this as other adjustments.



#### Collateral securities

Property, plant, and equipment amounting to 74,203 TEUR and 8,013 TEUR as of December 31, 2013 and 2012, respectively, have been pledged as collateral security.

#### Commitments

The commitments arising from contracts for expenditure on property, plant and equipment are only within the ordinary scope of business. As of December 31, 2013, these commitments amounted to 14,695 TEUR (2012: 12,863 TEUR).

#### Borrowing costs

No borrowing costs relating to qualifying assets were capitalized in the financial years 2013 and 2012 as the amounts were immaterial.

#### Government grants

In the 2013 financial year, government grants amounting to 245.2 TEUR (2012: 0 TEUR) were paid for capital expenditure on buildings, plant and machinery and offset against the costs. Other grants in the amount of 11,487 TEUR (2012: 12,040 TEUR) were recognized directly as other operating income.

#### Changes in consolidation scope

In addition to the acquisition of subsidiaries, the changes in consolidated companies originate from changes of the consolidation method of Group companies.

#### Finance leases

The following assets are included in the tangible fixed assets:

<i>(in TEUR)</i>	2013	2012
Land and buildings	14,005	14,554
Technical equipment, and machinery	246	545
Other equipment, factory and office equipment	268	459
	<b>14,519</b>	<b>15,558</b>

The lease contracts have terms from 36 up to 180 months.

### 13. Associated companies

The following overview shows the main items from the statement of financial position and the income statement for companies accounted for using the equity method:

<i>(in TEUR)</i>	2013	2012
<b>Disclosures of financial position</b>		
Assets	3,854	10,958
Liabilities	4,608	9,760
<b>Disclosures of the income statement</b>		
Sales	2,022	23,002
Result for the year	-351	-3,836

The income from associated companies amounted to an expense of 185 TEUR (2012: -1.392 TEUR) in the consolidated income statement of the Group.

### 14. Other investments

Other investments comprise the following:

<i>(in TEUR)</i>	2013	2012
Loans against borrowers' notes	20,000	163,000
Shares in non-consolidated companies	8,233	18,516
Other shares	6,113	161,577
Investment securities	7,184	7,281
Other	4,119	4,914
	<b>45,649</b>	<b>355,288</b>

Shares of Schuler AG at an amount of 149,062 TEUR were included in other shares in the previous year.

In the 2013 financial year, impairment for shares in non-consolidated companies was recognized in the amount of 1,856 TEUR (2012: 233 TEUR) because the expected result did not justify the costs in view of the business development.

The shares in non-consolidated companies include restricted right of use amounting to 159 TEUR (2012: 0 TEUR).

If no quoted market prices are available and none of the factors relevant for valuation models can be measured reliably, investments in non-consolidated companies and other investments are recognized at cost.

### 15. Trade accounts receivable

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
Trade accounts receivable - current	620,821	606,548
Trade accounts receivable - non-current	16,849	21,385
	<b>637,670</b>	<b>627,933</b>
thereof neither past due nor impaired	432,485	444,141
thereof past due but not impaired	195,200	177,650
thereof impaired	60,226	45,308
Valuation allowance	-50,241	-39,166
	<b>637,670</b>	<b>627,933</b>

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's creditworthiness and defines credit limits per customer. Limits and scoring attributed to customers are reviewed regularly. More than two-thirds of the trade receivables are neither past due nor impaired.

Included in the Group's trade receivable balance are debts with a carrying value of 195,200 TEUR (2012: 177,650 TEUR,) which are past due at the reporting date and for which the Group has not recognized any valuation allowance as there has not been a significant change in creditworthiness and the amounts are still considered recoverable.

The valuation allowance for trade accounts receivable changed as follows:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
<b>Balance as of January 1</b>	<b>-39,166</b>	<b>-25,526</b>
Currency translation adjustments	1,779	761
Charged to expenses	-19,819	-22,434
Use	8,893	4,055
Release	5,860	3,978
Changes in consolidation scope	-7,788	0
<b>Balance as of December 31</b>	<b>-50,241</b>	<b>-39,166</b>

The Group has the following liabilities, which are past due but not impaired, on the balance sheet date:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
Up to 60 days past due	103,101	103,279
61 to 120 days past due	37,442	25,672
More than 120 days past due	54,657	48,699
	<b>195,200</b>	<b>177,650</b>

In determining the recoverability of a trade receivable, the Group considers any change in the creditworthiness from the date on which the credit was initially granted up to the reporting date. Determination of impairments also considers collateralization of payments by bank guarantees and export insurance. The Executive Board believes that no further credit provision is required in excess of the allowance for doubtful debts already recognized.

The disposal limitations arising due to the granting of collateral securities amount to 88,987 TEUR (2012: 9,370 TEUR). The parties receiving collateral security have no rights allowing them to sell or re-pledge the collateral securities provided.

**16. Other receivables**

<i>(in TEUR)</i>	<b>2013</b>	<b>2012*</b>
Loans against borrowers' notes	110,000	66,500
Receivables from value-added tax and from other taxes and changes	101,029	134,751
Receivables from prepaid income taxes	41,173	23,523
Foreign exchange forward contracts at fair value	32,208	15,257
Prepayments and deferred charges	25,678	16,019
Embedded derivatives at fair value	16,396	12,980
Bills of exchange receivable	14,277	28,451
Interest rate swaps at fair value	10,526	28,537
Receivables from associated companies	217	12,069
Commodity forward contracts at fair value	21	48
Other	100,181	78,551
	<b>451,706</b>	<b>416,686</b>
thereof other current receivables	376,368	341,835
thereof other non-current receivables	75,338	74,851
	<b>451,706</b>	<b>416,686</b>

\* The amounts were adjusted and do not correspond with the amounts disclosed in the consolidated financial statements 2012. The change is a result of completing the initial accounting for the acquisition of Royal GMF-Gouda (Goudsche Machinefabriek), Netherlands – see Note E – Acquisitions.

The valuation allowances on the other receivables changed as follows:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
<b>Balance as of January 1</b>	<b>0</b>	<b>0</b>
Charged to expenses	-1,986	-
Use	102	0
Release	625	-
Changes in consolidation scope	-5,168	-
<b>Balance as of December 31</b>	<b>-6,427</b>	<b>0</b>

**17. Inventories**

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
Finished goods	72,103	55,872
Work in progress	384,225	172,833
Materials and supplies	217,433	176,612
	<b>673,761</b>	<b>405,317</b>

The valuation allowances on inventories were recognized in the income statement at 14,333 TEUR (2012: 3,996 TEUR) for products in cases where the net realizable value (selling price less selling and administrative expenses) was less than the acquisition or production cost and for obsolete and slow-moving items.

The disposal limitations arising due to the granting of collateral securities amount to 105,261 TEUR (2012: 11,158 TEUR).

**18. Advance payments made**

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

**19. Construction contracts**

<i>(in TEUR)</i>	2013	2012
Contract revenue recognized as sales in the current period	3,946,241	3,675,491
Contract costs incurred and recognized profits (less recognized losses) to date	9,326,011	8,586,996
Advance payments received and progress billings	9,897,889	9,357,138
Amount of retentions	15,117	17,165

The net amounts of the construction contracts comprise the following:

<i>(in TEUR)</i>	2013	2012
Contract costs incurred and recognized profits (less recognized losses) to date	9,326,011	8,586,996
Less: Advance payments received and progress billings	-9,897,889	-9,357,138
	<b>-571,878</b>	<b>-770,142</b>
<b>Recognized in the financial statements as receivables and payables:</b>		
Cost and earnings of projects under construction in excess of billings	509,534	320,718
Billings in excess of cost and earnings of projects under construction	-1,081,412	-1,090,860
	<b>-571,878</b>	<b>-770,142</b>

The following advance payments and payment instalments were past due on the balance sheet date.

<i>(in TEUR)</i>	2013	2012
61 to 120 days past due	11,427	44,709
More than 120 days past due	46,779	46,346
	<b>58,206</b>	<b>91,055</b>

The disposal limitations arising due to the granting of collateral securities amount to 82,596 TEUR (2012: 0 TEUR). The parties receiving collateral security have no rights allowing them to sell or re-pledge the collateral securities provided.

**20. Marketable securities**

<i>(in TEUR)</i>	2013	2012
Government bonds	84,073	134,228
Bonds	73,941	190,141
Funds	1,093	1,117
	<b>159,107</b>	<b>325,486</b>

**21. Cash and cash equivalents**

<i>(in TEUR)</i>	2013	2012
Cash in banks	492,456	466,819
Time deposits	735,404	1,026,029
	<b>1,227,860</b>	<b>1,492,848</b>

**22. Equity**

<i>(in TEUR)</i>	2013	2012
Share capital	104,000	104,000
Capital reserves	36,476	36,476
IAS 39 reserve	-381	695
Other retained earnings	768,099	887,262
Treasury shares	-8,457	-20,940
<b>Total</b>	<b>899,737</b>	<b>1,007,493</b>
Non-controlling interests	29,743	26,302
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>929,480</b>	<b>1,033,795</b>

### IAS 39 reserve

The table below shows the movements in the IAS 39 reserve in equity:

<i>(in TEUR)</i>	<b>Unrealized gain/loss on hedging activities</b>	<b>Unrealized gain/loss on securities</b>	<b>Unrealized gain/loss total IAS 39 reserve</b>
<b>Balance as of December 31, 2011</b>	<b>0</b>	<b>189</b>	<b>189</b>
Gains and losses from changes in fair value	0	1,320	1,320
Related deferred income taxes	0	-325	-325
Transfers to income statement	0	-645	-645
Related deferred income taxes	0	156	156
<b>Balance as of December 31, 2012</b>	<b>0</b>	<b>695</b>	<b>695</b>
Gains and losses from changes in fair value	-318	-1,002	-1,320
Related deferred income taxes	124	251	375
Transfers to income statement	0	-175	-175
Related deferred income taxes	0	44	44
<b>BALANCE AS OF DECEMBER 31, 2013</b>	<b>-194</b>	<b>-187</b>	<b>-381</b>

### Dividends

For 2013, a dividend of 0.50 EUR per outstanding share is proposed by the Executive Board. The dividend for 2012 of 123,738 TEUR, which is equal to 1.20 EUR per share, was proposed by the Executive Board and approved at the 106<sup>th</sup> Annual General Meeting on March 22, 2013. The dividend was paid to the shareholders on March 28, 2013.

On February 19, 2014, the Executive Board authorized the consolidated financial statements for the year ended December 31, 2013 according to IFRS.

On February 21, 2013, the Executive Board authorized submission of the consolidated financial statements for the year ended December 31, 2012, according to IFRS, to the Supervisory Board. The consolidated financial statements were presented to the Supervisory Board and subsequently to the Annual General Meeting.

### Treasury shares

Based on authorizations of the Annual General Meeting and with approval from the Supervisory Board, the Executive Board adopted share buy-back and share resale programs for buying up to 10,400,000 no-par value shares between October 1, 2013 and March 31, 2016.

In 2013, 433,600 shares were bought back at an average price of EUR 49.04 per share. 942,000 no-par value shares were resold at a price of 23.18 EUR per share to eligible executives under the management share option plan and 13,861 no-par value shares were transferred to employees of ANDRITZ in the course of employee participation programs. As of December 31, 2013, the company held 216,993 treasury shares at a market value of 9,893 TEUR. It is planned to use these shares for the management share option plan and the employee participation programs.

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

<i>(in TEUR)</i>	<b>Number of shares</b>	<b>Treasury shares</b>	<b>Shares outstanding</b>
<b>Balance as of December 31, 2011</b>	<b>104,000,000</b>	<b>824,394</b>	<b>103,175,606</b>
Used to cover share options and employee participation programs	0	-85,140	85,140
<b>Balance as of December 31, 2012</b>	<b>104,000,000</b>	<b>739,254</b>	<b>103,260,746</b>
Purchase of treasury shares	0	433,600	-433,600
Used to cover share options and employee participation programs	0	-955,861	955,861
<b>Balance as of December 31, 2013</b>	<b>104,000,000</b>	<b>216,993</b>	<b>103,783,007</b>

### Management share option programs

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

The options granted in 2010 totaled 2,066,000. The fair value of the options at the time of granting amounts to 8,362 TEUR; where no expense was recognized in 2013.

Furthermore, 2,146,000 options were granted in 2012. The fair value of the options at the time of granting amounts to 13,553 TEUR; 5,576 TEUR thereof were reported as proportionate expense in 2013.

The calculation of fair value was based on the Black-Scholes option pricing model.

Movements in options under the share option plans for the 2013 and 2012 financial years were as follows:

	2013		2012	
	Number of options	Average exercise price per option (in EUR)	Number of options	Average exercise price per option (in EUR)
<b>Balance as of January 1</b>	<b>4,045,000</b>	<b>30.59</b>	<b>2,099,600</b>	<b>23.00</b>
Options granted	0	0.00	2,146,000	37.15
Options exercised	-1,722,000	23.18	-69,600	17.72
Options expired and forfeited	-108,000	36.50	-131,000	22.68
<b>Balance as of December 31, 2013</b>	<b>2,215,000</b>	<b>36.07</b>	<b>4,045,000</b>	<b>30.59</b>
Exercisable at year-end	172,000	23.18	0	0.00

#### Non-controlling interests

The share ownership of third parties in Group entities is recognized in this item.

#### Additional capital disclosures

ANDRITZ is committed to maintaining a strong financial profile, characterized by a conservative capital structure that gives excellent financial flexibility. As of December 31, 2013 and 2012, equity and total assets of the company were as follows:

(in TEUR)	2013	2012
Total shareholders' equity	929,480	1,033,795
Equity ratio	16.7%	20.0%
Total assets	5,571,395	5,160,965

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

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while optimizing the return to shareholders through the optimization of the debt and equity balance. Bonds were issued in the past to safeguard the financial stability and also to build the foundation for further growth of the ANDRITZ GROUP. The capital structure of the Group consists of debt, cash and cash equivalents, and equity attributable to shareholders of the parent, comprising share capital, capital reserves, and retained earnings.

The capital structure is reviewed on an ongoing basis. The cost of capital and the risks associated with each class of capital are considered as a part of this review. Based on this, the Group is committed to optimize its overall capital structure through the payment of dividends, new share issues, and share buy-backs, as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2012.

**23. Maturities of financial liabilities**

2013

(in TEUR)	Remaining term less than 1 month	Remaining term between 1 and 3 months	Remaining term between 4 and 12 months	Remaining term between 1 and 5 years	Remaining term over 5 years	Total
Bonds	0	0	0	156,566	354,092	510,658
Bank loans and other financial liabilities	5,665	24,486	32,853	38,020	6,463	107,487
Obligations under finance leases	73	205	684	2,779	12,545	16,286
	<b>5,738</b>	<b>24,691</b>	<b>33,537</b>	<b>197,365</b>	<b>373,100</b>	<b>634,431</b>

2012

(in TEUR)	Remaining term less than 1 month	Remaining term between 1 and 3 months	Remaining term between 4 and 12 months	Remaining term between 1 and 5 years	Remaining term over 5 years	Total
Bonds	0	0	186,654	162,493	362,606	711,753
Bank loans and other financial liabilities	15,063	4,798	31,936	6,990	2,677	61,464
Obligations under finance leases	138	233	993	2,858	13,203	17,425
	<b>15,201</b>	<b>5,031</b>	<b>219,583</b>	<b>172,341</b>	<b>378,486</b>	<b>790,642</b>

The interest-bearing borrowings consist primarily of current bank loans at floating interest rates and fixed rates.

There are no substantial credit defaults in the ANDRITZ GROUP; all of the financial liabilities are settled in general on the due date.

The net book value of liabilities corresponds essentially to the fair value.

**24. Provisions**

2013

(in TEUR)	Balance as of January 1, 2013	Currency translation adjustments	Changes in consolidation scope	Re-classification	Use	Release	Additions	Un-winding of discount effect	Balance as of December 31, 2013
Provisions for severance payments	85,263	-45	-102	0	5,811	0	7,658	3,126	90,089
Provisions for pensions	100,254	-1,741	99,380	0	7,459	452	12,737	6,109	183,354
Order-related non-current provisions	108,361	-4,273	14,677	8,796	17,231	34,102	64,568	192	140,988
Other non-current provisions	18,348	-60	4,838	284	506	8	493	743	24,132
<b>Non-current provisions</b>	<b>312,226</b>	<b>-6,119</b>	<b>118,793</b>	<b>9,080</b>	<b>31,007</b>	<b>34,562</b>	<b>59,982</b>	<b>10,170</b>	<b>438,563</b>
Order-related current provisions	394,071	-9,945	50,493	-8,511	61,266	87,963	219,763	61	496,703
Other current provisions	19,150	-1,208	4,422	-569	4,419	2,093	43,077	0	58,360
<b>Current provisions</b>	<b>413,221</b>	<b>-11,153</b>	<b>54,915</b>	<b>-9,080</b>	<b>65,685</b>	<b>90,056</b>	<b>262,840</b>	<b>61</b>	<b>555,063</b>

## 2012

<i>(in TEUR)</i>	<b>Balance as of January 1, 2012</b>	<b>Currency translation adjust- ments</b>	<b>Changes in con- solidation scope</b>	<b>Re- classi- fication</b>	<b>Use</b>	<b>Release</b>	<b>Addi- tions*</b>	<b>Un- winding of dis- count effect*</b>	<b>Balance as of Decem- ber 31, 2012</b>
Provisions for severance payments	77,855	-26	29	0	4,337	16	7,998	3,760	85,263
Provisions for pensions	85,307	108	3,985	0	2,935	4,281	13,318	4,752	100,254
Order-related non- current provisions	121,671	-1,008	6,422	-11,462	16,370	25,072	34,180	0	108,361
Other non-current provisions	16,663	-4	258	0	335	20	1,221	565	18,348
<b>Non-current provisions</b>	<b>301,496</b>	<b>-930</b>	<b>10,694</b>	<b>-11,462</b>	<b>23,977</b>	<b>29,389</b>	<b>56,717</b>	<b>9,077</b>	<b>312,226</b>
Order-related current provisions	344,508	-2,299	2,957	11,462	38,740	63,214	139,397	0	394,071
Other current provisions	21,301	-315	0	0	3,888	2,361	4,413	0	19,150
<b>Current provisions</b>	<b>365,809</b>	<b>-2,614</b>	<b>2,957</b>	<b>11,462</b>	<b>42,628</b>	<b>65,575</b>	<b>143,810</b>	<b>0</b>	<b>413,221</b>

\* Adjusted to comply with IAS 19 – see Note B – Accounting principles

Order-related provisions include primarily warranties, contingencies, and impending losses.

ANDRITZ expects the order-related non-current provisions generally to result in cash outflows during the next one to three years. For the order-related current provisions, the company expects cash outflows within the next financial year.

The other provisions contain personnel costs and other expenses for restructuring in the amount of 34,520 TEUR (2012: 872 TEUR). These relate primarily to the Schuler Group, Germany, and the restructuring of the METALS, PULP & PAPER, and SEPARATION business areas.

Total 50.470 TEUR on expenses including partial write-downs in connection with restructuring incurred during the reporting period.

## 25. Employee benefits

### Pensions plans

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



The following table shows the changes in pension benefit obligation from January 1 to December 31, 2013 and 2012:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
<b>Defined benefit obligation as of January 1</b>	<b>258,725</b>	<b>217,494</b>
Currency translation adjustments	-7,164	740
Current service cost	8,146	5,157
Interest cost on obligations	11,403	8,226
Actuarial gains (-) and losses (+) from change in demographic assumptions	1,177	32
Actuarial gains (-) and losses (+) from change in financial assumptions	-12,534	18,334
Actuarial gains (-) and losses (+) from change in experience adjustments	-1,201	-1,144
Benefits paid	-18,867	-8,771
Contributions by the plan participants	4,564	2,579
Past service cost	1,100	0
Effects of plan curtailments and settlements	-2,330	-4,281
Other changes	53,697	0
Changes in consolidation scope	130,514	20,359
<b>Defined benefit obligation as of December 31</b>	<b>427,230</b>	<b>258,725</b>
Fair value of plan assets	-245,588	-158,471
Reduction of assets	1,712	0
<b>Defined benefit liability as of December 31</b>	<b>183,354</b>	<b>100,254</b>

\* Adjusted to comply with IAS 19 – see Note B – Accounting principles

The other change is related to the first-time inclusion of retirees in Switzerland. The present value of defined benefit obligations increases by the same amount as the fair value of plan assets.

The weighted average term of the benefit obligation on December 31, 2013, is 12.6 years (13.3 years in the previous year).

Amounts of 271,786 TEUR (2012: 192,176 TEUR) out of the total pension benefit obligation in the amount of 427,230 TEUR (2012: 258,725 TEUR) are covered entirely or partly by investments in funds.

The following table reconciles the fair value of plan assets:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012*</b>
<b>Fair value of plan assets as of January 1</b>	<b>158,471</b>	<b>132,187</b>
Currency translation adjustments	-5,423	632
Interest revenue	5,294	3,474
Return on plan assets (excl. interest revenue)	2,174	2,018
Contributions by the employer	8,963	7,043
Contributions by the plan participants	2,686	2,579
Benefits paid	-11,408	-5,836
Effects of plan curtailments and settlements	0	0
Other changes	53,697	0
Changes in consolidation scope	31,134	16,374
<b>Fair value of plan assets as of December 31</b>	<b>245,588</b>	<b>158,471</b>

\* Adjusted to comply with IAS 19 – see Note B – Accounting principles

The plan assets are invested as follows:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
<b>Equity instruments</b>	<b>55,676</b>	<b>38,261</b>
thereof listed on an active market	55,476	38,256
<b>Debt instruments</b>	<b>95,401</b>	<b>74,837</b>
thereof listed on an active market	95,401	74,837
<b>Property, plant, and equipment</b>	<b>35,993</b>	<b>22,285</b>
thereof listed on an active market	2,914	2,770
<b>Other assets</b>	<b>58,518</b>	<b>23,088</b>
thereof listed on an active market	17,917	16,070
	<b>245,588</b>	<b>158,471</b>

The actual investment gain from plan assets in 2013 amounted to 3.18% (2012: investment gain of 3.86%).

The pension costs comprise:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
Current service cost	8,146	5,157
Past service cost	1,100	0
Effects of plan curtailments and settlements	-2,330	-4,281
	<b>6,916</b>	<b>876</b>
Payments to defined contribution plans	29,811	27,426
	<b>36,727</b>	<b>28,302</b>

Basic actuarial assumptions for calculation of pension obligations as of December 31, 2013 and 2012, of the main Group companies are as follows:

<i>(in %)</i>	<b>2013</b>		<b>2012</b>	
	from	to	from	to
Discount rate	3.50	4.80	3.75	4.00
Wage and salary increases	2.50	3.00	2.50	3.00
Retirement benefit increases	2.00	2.50	2.50	3.25

The financing status changed as follows:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Present value of defined benefit obligation	427,230	258,725	217,494	198,284	167,131
Fair value of plan assets	245,588	158,471	132,187	126,437	105,675
<b>Deficit of the plan</b>	<b>181,642</b>	<b>100,254</b>	<b>85,307</b>	<b>71,847</b>	<b>61,456</b>

Payments to the pension fund for defined benefits are expected in the amount of 13,089 TEUR for 2014.

#### Discretionary judgments and forward-looking assumptions

The valuation of existing pension provisions is based on assumptions relating to the discount rate, retirement age, life expectancy, future salary increases, and increases in pension benefits.

A change of +/- 0.5 percentage points in the discount factor, of +/- 0.5 percentage points in the salary increase, and of +/- 0.5 percentage points in pension benefits would have the following effects on the present value of the pension obligation as of December 31, 2013 if all other parameters remain the same:

<i>(in TEUR)</i>	<b>2013</b>	
	<b>Sensitivity +0.5%</b>	<b>Sensitivity -0.5%</b>
Discount rate	-24,594	27,606
Wage and salary increases	1,364	-1,377
Retirement benefit increases	17,384	-7,780

In addition, ANDRITZ believes that a change in the mortality rates and lifetime used as a basis is possible. It is assumed that one year longer lifetime by the eligible employees would have caused an increase in pension obligation of 8,724 TEUR as of December 31, 2013. A lifetime curtailment by one year leads to a reduction in pension obligation of 8,812 TEUR.

#### Severance obligations

The following table shows the changes in defined benefit obligations from January 1 to December 31, 2013 and 2012:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
<b>Defined benefit obligation as of January 1</b>	<b>86,100</b>	<b>78,571</b>
Currency translation adjustments	-205	-73
Current service cost	3,183	2,803
Interest cost on obligations	3,196	3,851
Actuarial gains (-) and losses (+) from change in demographic assumptions	-62	0
Actuarial gains (-) and losses (+) from change in financial assumptions	2,770	5,845
Actuarial gains (-) and losses (+) from change in experience adjustments	1,976	-495
Benefits paid	-5,870	-4,415
Effects of plan curtailments and settlements	0	-16
Changes in consolidation scope	0	29
<b>Defined benefit obligation as of December 31</b>	<b>91,088</b>	<b>86,100</b>
Fair value of plan assets	-999	-837
<b>Defined benefit liability as of December 31</b>	<b>90,089</b>	<b>85,263</b>

The weighted average term of the benefit obligation on December 31, 2013, is 13.1 years (13.6 years in the previous year).

The following table reconciles the fair value of plan assets:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
<b>Fair value of plan assets as of January 1</b>	<b>837</b>	<b>716</b>
Currency translation adjustments	-160	-47
Interest revenue	70	91
Return on plan assets (excl. interest revenue)	11	9
Contributions by the employer	198	146
Contributions by the plan participants	0	0
Benefits paid	-59	-78
Effects of plan curtailments and settlements	0	0
Changes in consolidation scope	102	0
<b>Fair value of plan assets as of December 31</b>	<b>999</b>	<b>837</b>

The plan assets are invested as follows:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
<b>Equity instruments</b>	<b>129</b>	<b>0</b>
thereof listed on an active market	129	0
<b>Debt instruments</b>	<b>824</b>	<b>780</b>
thereof listed on an active market	0	0
<b>Other assets</b>	<b>46</b>	<b>57</b>
thereof listed on an active market	46	57
	<b>999</b>	<b>837</b>

The expenses for severance payments consist of:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
Current service cost	3,183	2,803
Effects of plan curtailments and settlements	0	-16
	<b>3,183</b>	<b>2,787</b>
Payments to defined contribution plans	35,600	1,992
	<b>38,783</b>	<b>4,779</b>

The financing status changed as follows:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Present value of defined benefit obligation	91,088	86,100	78,571	74,596	74,212
Fair value of plan assets	999	837	716	660	374
<b>Deficit of the plan</b>	<b>90,089</b>	<b>85,263</b>	<b>77,855</b>	<b>73,936</b>	<b>73,838</b>

The basic actuarial assumptions used to determine severance obligations were the same as used for pension obligations.

#### Discretionary judgments and forward-looking assumptions

The valuation of existing severance pay provisions is based on assumptions relating to the discount rate, retirement age, life expectancy, and future salary increases.

A +/- 0.5 percentage point change in the discount factor and a change of +/- 0.5 percentage points in the salary increase would have the following effects on the present value of the severance obligation as of December 31, 2013 if all other parameters remain the same:

<i>(in TEUR)</i>	<b>2013</b>	
	<b>Sensitivity +0.5%</b>	<b>Sensitivity -0.5%</b>
Discount rate	-4,025	4,587
Wage and salary increases	4,542	-4,013

## 26. Other liabilities

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
Outstanding invoices for order-related costs	570,853	516,286
Unused vacation and other personnel-related accruals	200,830	163,767
Liabilities from value-added tax and from other taxes and charges	45,422	49,952
Liabilities from commissions	24,222	20,397
Foreign exchange forward contracts at fair value	22,635	20,083
Embedded derivatives at fair value	18,103	7,260
Prepayments and deferred charges	12,756	12,949
Liabilities due to associated companies	333	1,758
Commodity forward contracts at fair value	168	129
Other	116,177	98,860
	<b>1,011,499</b>	<b>891,441</b>
thereof other current liabilities	957,125	878,259
thereof other non-current liabilities	54,374	13,182
	<b>1,011,499</b>	<b>891,441</b>

The net book value of other liabilities corresponds essentially to the fair value.

**K) NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**

Cash flows from company acquisitions\*

(in TEUR)	Business area				Total	Total
	HY	PP	SE	ME	2013	2012
Intangible assets	750	2,229	5,435	273,712	282,126	47,176
Property, plant, and equipment	300	2,025	1,451	175,092	178,868	17,668
Inventories	0	7,943	6,389	156,522	170,854	17,651
Trade and other receivables	0	2,682	3,280	266,273	272,235	44,076
Liabilities	-250	-9,288	-7,511	-722,775	-739,824	-84,130
<b>Non-interest bearing net assets</b>	<b>800</b>	<b>5,591</b>	<b>9,044</b>	<b>148,824</b>	<b>164,259</b>	<b>42,441</b>
Marketable securities	0	0	0	0	0	0
Cash and cash equivalents	0	9,260	1,973	331,084	342,317	18,447
Financial assets	0	366	0	2,626	2,992	4,021
Financial liabilities	0	-18	-2,433	-107,519	-109,970	-12,460
Goodwill	0	850	3,293	218,690	222,833	30,279
Non-controlling interests	0	0	-1,610	-32,398	-34,008	-3,260
<b>Total purchase price</b>	<b>800</b>	<b>16,049</b>	<b>10,267</b>	<b>561,307</b>	<b>588,423</b>	<b>79,468</b>
Purchase price paid	-800	-10,650	-8,571	-411,152	-431,173	-71,340
Cash and cash equivalents acquired	0	9,260	1,973	331,084	342,317	18,447
<b>Net cash flow</b>	<b>-800</b>	<b>-1,390</b>	<b>-6,598</b>	<b>-80,068</b>	<b>-88,856</b>	<b>-52,893</b>
Liabilities from purchase price not paid	0	-1,050	-1,696	-1,700	-4,446	-2,064
Fair value of investments previously held under equity method	0	-4,350	0	-148,454	-152,804	-6,065
<b>Purchase price not paid in cash</b>	<b>0</b>	<b>-5,400</b>	<b>-1,696</b>	<b>-150,154</b>	<b>-157,250</b>	<b>-8,129</b>

\* Converted by using exchange rates as per dates of transaction

The cash flow in the METALS business area relates largely to the Schuler Group, Germany, which appears as follows in a separate view:

(in TEUR)	Schuler-Group
Intangible assets	271,806
Property, plant, and equipment	174,915
Inventories	154,891
Trade and other receivables	265,338
Liabilities	-720,199
<b>Non-interest bearing net assets</b>	<b>146,751</b>
Marketable securities	0
Cash and cash equivalents	330,586
Financial assets	2,626
Financial liabilities	-107,519
Goodwill	215,061
Non-controlling interests	-32,398
<b>Total purchase price</b>	<b>555,107</b>
Purchase price paid	-406,652
Cash and cash equivalents acquired	330,586
<b>Net cash flow</b>	<b>-76,066</b>
Liabilities from purchase price not paid	0
Fair value of investments previously held under equity method	-148,454
<b>Purchase price not paid in cash</b>	<b>-148,454</b>

The initial accounting for the businesses acquired in 2013 is based on preliminary figures. The final evaluation of the balance sheet items disclosed in the cash flows from acquisition will be carried out according to the regulations of IFRS 3 (revised) "Business Combinations".

## L) REPORTING ON FINANCIAL INSTRUMENTS

### a) Fair value of financial instruments

The fair value is the amount for which financial instruments could be exchanged between knowledgeable, willing parties in an arm's length transaction.

#### Other investments

The fair values of publicly traded securities and participations are based on quoted market prices. If no public listings are available, the fair values were calculated on the basis of discounted cash flows expected in the future.

Shares in non-consolidated companies and other shares are stated at cost except shares of listed companies because the fair value cannot be determined reliably. Investments in associated companies are measured using the equity method unless they are only of minor importance.

Non-current securities are classified as financial assets available for sale and are valued at their quoted market price at the balance sheet date.

#### Trade accounts receivable

The fair value of non-current receivables with a remaining term of over one year is the same as the present values, taking the current interest rate parameter into consideration in each case. In the current trade accounts receivable it is assumed that the fair values are the same as the net book values.

#### Receivables and other assets

The fair value of non-current receivables and other assets with a remaining term of over one year is the same as the present values, taking the current interest rate parameter into consideration in each case. In the current accounts receivable and other assets, it is assumed that the fair values are the same as the net book values.

Financial instruments that are valued at fair value through profit or loss and those that are included in a hedge accounting instrument comprise currency and interest rate hedging contracts. Derivatives traded on the stock exchange are valued at quoted market prices. The fair value of foreign exchange and commodity forward contracts is based on current forward rates. Interest rate swaps and forward rate agreements are based on discounted cash flows, where the market interest rate for the remaining term is applied. Both the credit risk of the contracting part and the Group's own credit risk are included in a Credit Value Adjustment (CVA) for assets and in a Debit Value Adjustment (DVA) for liabilities according to IFRS 13.

#### Marketable securities

The fair values of publicly traded instruments are based on quoted market prices. The Group's securities are classified as financial assets available for sale.

#### Cash and cash equivalents

The net book value of cash and cash equivalents is the same as the market value due to the relatively short-term maturity of these financial instruments.

#### Financial liabilities

The fair value of non-current financial liabilities is determined as present values of the expected future cash flows. The discount rates are based on the current interest rates available for liabilities with the same maturity profile.

#### Trade accounts payable

It is assumed that the fair values are the same as the net book values of these financial instruments due to their short-term maturities.

#### Other liabilities

The financial liabilities classified at fair value through profit or loss relate to derivatives that are not included in hedge accounting. For details of these financial instruments and derivatives included in hedge accounting, please refer to the information provided under "Receivables and other assets".

The other current liabilities are valued at amortized cost. Other non-current liabilities with a remaining term of over one year are the same as the present values, taking the current interest parameters into account.

### b) Information on financial instruments according to categories

The following table shows the allocation of financial assets and liabilities to the IFRS categories and to the three levels of the fair value hierarchy. It distinguishes fair value measurements by the significance of the inputs used and reflects the availability of market inputs observed when estimating fair values.

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

Level 1: Prices quoted in active markets for identical assets or liabilities.

Level 2: Inputs other than market prices quoted that can be observed for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on market data observed.

The net book value is to be assumed as a realistic estimate for cash and cash equivalents, current trade accounts receivable and other receivables, current trade liabilities and other liabilities due to the short remaining term.

Those financial instruments for which there are no liquid markets available and where none of the factors relevant for valuation models can be measured reliably are also shown in the table as Level 3.

(in TEUR)	Notes	Net book value December 31, 2013							Fair value December 31, 2013			
		Held for trading	Hedge accounting	Loans and receivables	Available for sale	Other financial liabilities	None IAS 39 valuation category	Total	thereof level 1	thereof level 2	thereof level 3	Total
<b>ASSETS</b>												
<b>Other investments</b>	14.											
Securities and loans against borrowers' notes - non-current				20,000				20,000		20,185		20,185
Shares in non-consolidated companies and other shares*					14,346			14,346			14,346	14,346
Investment securities					7,184			7,184	7,184			7,184
Other				4,119				4,119		4,119		4,119
<b>Trade accounts receivable</b>	15.											
Trade accounts receivable - non-current				16,849				16,849		16,770		16,770
Trade accounts receivable - current				620,821				620,821		620,821		620,821
<b>Receivables and other assets</b>	16.											
Securities and loans against borrowers' notes - current				110,000				110,000		110,000		110,000
Other non-current receivables and other assets				47,635				47,635		46,700		46,700
Other receivables and assets - current				168,069			66,851	234,920		234,920		234,920
Cost and earnings of projects under construction in excess of billings	19.			509,534				509,534		509,534		509,534
Derivatives	L)	31,614	11,141					42,755		42,755		42,755
Embedded derivatives	L)	16,396						16,396		16,396		16,396
<b>Marketable securities</b>	20.				159,107			159,107	159,107			159,107
<b>Cash and cash equivalents</b>	21.			1,227,860				1,227,860		1,227,860		1,227,860
		48,010	11,141	2,724,887	180,637		66,851	3,031,526	166,291	2,850,060	14,346	3,030,697
<b>LIABILITIES</b>												
<b>Financial liabilities</b>	23.											
Bonds - non-current						510,658		510,658		510,658		510,658
Bonds - current						0		0		0		0
Bank loans and other financial liabilities - non-current						44,483		44,483		44,483		44,483
Bank loans and other financial liabilities - current						63,004		63,004		63,004		63,004
Obligations under finance leases							16,286	16,286		16,286		16,286
<b>Trade accounts payable</b>						453,219		453,219		453,219		453,219
<b>Other liabilities</b>	26.											
Other liabilities - non-current						36,501		36,501		35,778		35,778
Other liabilities - current						875,875	58,178	934,053		934,053		934,053
Billings in excess of cost and earnings of projects under construction	19.						1,081,412	1,081,412		1,081,412		1,081,412
Derivatives	L)	22,479	363					22,842		22,842		22,842
Embedded derivatives	L)	18,103						18,103		18,103		18,103
		40,582	363			1,983,740	1,155,876	3,180,561	0	3,179,838	0	3,179,838

\* This contains the equity holdings valued at cost for which fair values cannot be determined reliably (14,653 TEUR)



(in TEUR)	Notes	Net book value December 31, 2012						Fair value December 31, 2012				
		Held for trading	Hedge accounting	Loans and receivables	Available for sale	Other financial liabilities	None IAS 39 valuation category	Total	thereof level 1	thereof level 2	thereof level 3	Total
<b>ASSETS</b>												
<b>Other investments</b>	14.											
Securities and loans against borrowers' notes - non-current				163,000			163,000		163,000			163,000
Shares in non-consolidated companies and other shares*					180,093		180,093			180,093		180,093
Investment securities					7,281		7,281	7,281				7,281
Other				4,914			4,914		4,914			4,914
<b>Trade accounts receivable</b>	15.											
Trade accounts receivable - non-current				21,385			21,385		21,385			21,385
Trade accounts receivable - current				606,548			606,548		606,548			606,548
<b>Receivables and other assets</b>	16.											
Securities and loans against borrowers' notes - current				66,500			66,500		66,500			66,500
Other non-current receivables and other assets				46,314			46,314		46,314			46,314
Other receivables and assets - current**				207,508		39,542	247,050		247,050			247,050
Cost and earnings of projects under construction in excess of billings	19.			320,718			320,718		320,718			320,718
Derivatives	L)	15,305	28,537				43,842		43,842			43,842
Embedded derivatives	L)	12,980					12,980		12,980			12,980
<b>Marketable securities</b>	20.				325,486		325,486	325,486				325,486
<b>Cash and cash equivalents</b>	21.			1,492,848			1,492,848		1,492,848			1,492,848
		28,285	28,537	2,929,735	512,860	39,542	3,538,959	332,767	3,026,099	180,093		3,538,959
<b>LIABILITIES</b>												
<b>Financial liabilities</b>	23.											
Bonds - non-current						525,099	525,099		525,099			525,099
Bonds - current						186,654	186,654		186,654			186,654
Bank loans and other financial liabilities - non-current						9,667	9,667		9,667			9,667
Bank loans and other financial liabilities - current						51,797	51,797		51,797			51,797
Obligations under finance leases							17,425	17,425	17,425			17,425
<b>Trade accounts payable</b>						420,369	420,369		420,369			420,369
<b>Other liabilities</b>	26.											
Other liabilities - non-current						13,182	13,182		13,182			13,182
Other liabilities - current						787,886	62,901	850,787	850,787			850,787
Billings in excess of cost and earnings of projects under construction	19.						1,090,860	1,090,860	1,090,860			1,090,860
Derivatives	L)	20,212					20,212		20,212			20,212
Embedded derivatives	L)	7,260					7,260		7,260			7,260
		27,472				1,994,654	1,171,186	3,193,312	0	3,193,312	0	3,193,312

\* This contains the equity holdings valued at cost for which fair values cannot be determined reliably (31,031 TEUR)

\*\* The net book values were adjusted due to IFRS 3 – see Note E - Acquisitions

No financial instruments measured at fair value were transferred between the hierarchy levels during the reporting period.

The financial instruments reconciled to level 3 and measured at fair value are as follows:

In June 2012, ANDRITZ had acquired 24.99% of the shares of Schuler AG. These securities were carried at fair value under other financial assets in the amount of 149,062 TEUR and reported at level 3 of the fair value hierarchy. When control was obtained over the Schuler Group in 2013, they were included in the consolidated financial statements of the ANDRITZ GROUP in accordance with IFRS 3. This had no effect on the gains or losses.

### c) Fair value hedges

The Group uses interest rate swaps to hedge the change in fair value of emitted bonds due to interest rate changes. If the hedge is determined to be effective, the net book value of the hedged item is adjusted for changes in the fair value attributable to the hedged risk.

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

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
From hedged item	17,595	-6,547
From hedging instrument	-18,011	6,225
<b>Losses recognized through profit or loss</b>	<b>-416</b>	<b>-322</b>

The portfolio of bonds (hedged items) changed as follows:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
<b>Balance as of January 1</b>	<b>711,753</b>	<b>357,706</b>
Gains (-)/Losses (+) recognized through profit or loss	-17,595	6,547
Issue	0	350,000
Settlements	-183,500	-2,500
<b>Balance as of December 31</b>	<b>510,658</b>	<b>711,753</b>

### d) Cash flow hedges

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

<i>(in TEUR)</i>	<b>Cash flow hedge reserve</b>
<b>Balance as of December 31, 2011</b>	<b>0</b>
Gains and losses from changes in fair value	0
Related deferred income taxes	0
Transfers to income statement	0
Related deferred income taxes	0
<b>Balance as of December 31, 2012</b>	<b>0</b>
Losses from changes in fair value	-318
Related deferred income taxes	124
Transfers to income statement	0
Related deferred income taxes	0
<b>BALANCE AS OF DECEMBER 31, 2013</b>	<b>-194</b>

Changes representing the effective portions of the hedge accounting and recognized in equity (IAS 39 reserve) are shown in the consolidated statement of comprehensive income. The cumulative effects in equity are released to income and recognized in the income statement under billings or cost of materials (foreign exchange derivatives) and in other income or other expenses (interest rate derivatives), respectively, when the underlying hedge transaction is realized.

### e) Derivative financial transactions

The fair value of foreign exchange forward contracts and embedded derivatives is determined using forward exchange market rates at the balance sheet date. The Group's own credit risk as well as the credit risk of the contracting partner were included in the fair value measurement.

Derivative financial transactions – classified according to remaining term – are as follows:

## 2013

(in TEUR)	Remaining terms nominal values			Fair value	
	Not exceeding 1 year	more than 1 year	Total	positive	negative
<b>Interest rate related forward contracts</b>					
Interest rate swaps	1,765	500,000	501,765	10,526	-38
<b>Foreign exchange related forward contracts</b>					
Foreign exchange forward contracts	1,009,532	515,631	1,525,163	32,208	-22,635
Embedded derivatives	282,053	213,478	495,532	16,396	-18,103
	<b>1,291,586</b>	<b>729,109</b>	<b>2,020,695</b>	<b>48,604</b>	<b>-40,739</b>
<b>Other forward contracts</b>					
Commodity forward contracts	4,869	704	5,573	21	-168
<b>Total</b>	<b>1,298,219</b>	<b>1,229,813</b>	<b>2,528,033</b>	<b>59,151</b>	<b>-40,945</b>

## 2012

(in TEUR)	Remaining terms nominal values			Fair value	
	Not exceeding 1 year	more than 1 year	Total	positive	negative
<b>Interest rate related forward contracts</b>					
Interest rate swaps	200,000	500,000	700,000	28,537	0
<b>Foreign exchange related forward contracts</b>					
Foreign exchange forward contracts	805,871	344,030	1,149,901	15,257	-20,083
Embedded derivatives	196,820	94,971	291,791	12,980	-7,260
	<b>1,002,691</b>	<b>439,001</b>	<b>1,441,692</b>	<b>28,237</b>	<b>-27,343</b>
<b>Other forward contracts</b>					
Commodity forward contracts	5,599	1,065	6,664	48	-129
<b>Total</b>	<b>1,208,290</b>	<b>940,066</b>	<b>2,148,356</b>	<b>56,822</b>	<b>-27,472</b>

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

(in TEUR)	Not exceeding		Total 2013	Total 2012
	1 year	more than 1 year		
US dollar	5,309	-2,396	2,912	-232
Swiss franc	-2,434	-95	-2,529	-5,574
Euro	5,206	791	5,997	968
Other currencies	3,118	74	3,191	12
	<b>11,198</b>	<b>-1,626</b>	<b>9,572</b>	<b>-4,826</b>

The fair values of the embedded derivatives classified according to currency are as follows:

(in TEUR)	Not exceeding		Total 2013	Total 2012
	1 year	more than 1 year		
US dollar	-7,188	1,567	-5,621	-326
Swiss franc	2,684	398	3,082	5,404
Euro	329	426	754	614
Other currencies	-98	175	77	28
	<b>-4,274</b>	<b>2,566</b>	<b>-1,708</b>	<b>5,720</b>

#### f) Details of offsetting according to IFRS 7

The following table shows the amounts that were offset in the statement of financial position according to IAS 32, as well as potential effects of master offsetting or similar agreements:

(in TEUR)	2013		2012	
	positive	negative	positive	negative
<b>Derivatives</b>				
Gross amounts before netting	59,151	-40,945	56,822	-27,472
Accrued gross amounts	0	0	0	0
<b>Net amounts reported in the balance sheet</b>	<b>59,151</b>	<b>-40,945</b>	<b>56,822</b>	<b>-27,472</b>
Other amounts in scope, that are not netted in the balance sheet	-2,708	2,708	-2,434	2,434
<b>NET AMOUNTS</b>	<b>56,443</b>	<b>-38,237</b>	<b>54,388</b>	<b>-25,038</b>

#### g) The net gains and losses for each category of financial instruments are as follows:

The overviews provided below reflect the net gains or losses from financial instruments considered in the income statement according to the categories of IAS 39.

##### 2013

(in TEUR)	Held for trading	Held for trading	Available for sale
	Derivatives	Embedded derivatives	Securities
Changes in fair values recognized in profit or loss	-3,398	-7,427	175
Changes in fair values recognized in equity	-318	0	-1,002
Recycling out of equity	0	0	-175
<b>Net gains/losses</b>	<b>-3,716</b>	<b>-7,427</b>	<b>-1,002</b>

##### 2012

(in TEUR)	Held for trading	Held for trading	Available for sale
	Derivatives	Embedded derivatives	Securities
Changes in fair values recognized in profit or loss	28,640	-12,854	449
Changes in fair values recognized in equity	0	0	1,320
Recycling out of equity	0	0	-645
<b>Net gains/losses</b>	<b>28,640</b>	<b>-12,854</b>	<b>1,124</b>

## M) RISK MANAGEMENT

As a global company serving a variety of different markets and customers, the Group is subject to certain general and industry-specific risks. These risks mainly relate to the industries the Group serves (e.g. uncertainty of future contracts, volatility of incoming orders, customer concentration, etc.), the Group's business (e.g. currency exposure, competitive position, legal proceedings, etc.), and to major orders (e.g. payment risks, liabilities, performance of projects, cost overruns, etc.).

ANDRITZ has a long-established Group-wide control and risk management system whose main task is to identify nascent risks at an early stage and to take countermeasures. This is an important element in the active risk management system within the Group.

Despite having this monitoring and risk management system in place, it cannot be guaranteed that all risks will be identified at an early stage, and consequently the assets, liabilities, financial position, and profit or loss of the Group could be adversely affected.

The essential risks for the business development of the ANDRITZ GROUP relate above all to the Group's dependence on the general economic development and the development of the industries it serves, to whether major orders are received and to the risks they entail, and to whether adequate sales proceeds are realized from the high order backlog. In addition, unexpected increases in costs and difficulties in achieving the guaranteed performance parameters in the plants that ANDRITZ supplies present substantial risks during the project execution. A possible malfunction in the components and systems supplied by ANDRITZ can have serious consequences for individuals and on material assets. Cancellations of existing contracts could adversely affect the ANDRITZ GROUP's order backlog, which could have a negative impact on utilization of the Group's manufacturing capacities and on the development of sales and earnings.

The financial difficulties and the continuing difficult overall economic development (particularly in Europe and the USA) also constitute a serious risk for the ANDRITZ GROUP's financial development. In addition, a possible slowdown in economic activities in the emerging markets also presents a risk to the Group. The weak economy may lead to delays in the execution of existing orders and to the postponement or cancellation of existing projects.

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

As a result of its worldwide business activities, the ANDRITZ GROUP is also confronted with financial risks. Risks relating to liquidity, interest rate changes, loans, and exchange rates are of central importance here.

#### **a) Liquidity risks**

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

The Group manages liquidity risks especially by holding adequate financial reserves, by issuing bonds, by requiring substantial customer advances, and by reconciling maturity date profiles of financial assets, receivables, and liabilities. A liquidity forecast with a defined planning horizon, quarterly updates of this forecast, and unused credit facilities ensure the necessary liquidity for the ANDRITZ GROUP.

The Group endeavors to mitigate the risk of payment failure by customers as best possible by means of bank guarantees and export insurance. However, there is no guarantee that there will not be any individual payment failures that will have a substantial negative impact on development of earnings and liquidity of the Group if they do occur.

The ANDRITZ GROUP's position in terms of liquidity is very good, and it currently has high liquidity reserves. The Group avoids dependence on one single or only a few banks. To ensure independence, no bank will receive more than a certain defined amount of the business in any important financial product (cash and cash equivalents, financial liabilities, financial assets, guarantees, and derivatives).

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

ANDRITZ pursues a risk-averse investment strategy. Cash is largely invested in low-risk financial assets, such as government bonds, government-guaranteed bonds, investment funds to cover pension obligations, loans against borrowers' notes insured by a certificate of deposit, or term deposits. However, turbulences on the international financial markets may lead to unfavorable price developments for various securities in which the Group has invested (for example money market funds, bonds), or make them non-tradable. This could have an adverse effect on the ANDRITZ GROUP's financial result or shareholders' equity due to necessary depreciation

and amortization or valuation allowances. The crisis has also heightened the risk of default by some issuers of securities, as well as by customers. The Executive Board is informed on a monthly basis about the extent and volume of current risk exposure and the respective counterparty limits in the ANDRITZ GROUP.

#### **b) Exchange rate risks**

The currency risks of the Group occur due to the fact that the Group's operations and production sites are located in different countries worldwide that do not have the euro as their local currency.

When it receives orders that are not billed in euros, the Group enters into foreign exchange forward contracts in order to exclude or minimize the foreign exchange risk (hedging). Foreign exchange forward contracts are concluded exclusively with first-class national or international banks whose credit rating is checked continuously by Group Treasury in order to avoid a "cluster risk". The measures and regulations needed in connection with hedging of orders not billed in euros are stated in the Group-wide treasury policy.

A substantial number of the ANDRITZ GROUP's subsidiaries are outside the euro zone. Since ANDRITZ AG reports in euros, the company converts the financial statements of these companies into euros in the consolidated financial statement. In order to address translation-related foreign exchange risks, it is generally assumed for the purposes of risk management that investments in foreign companies are made in the long term and the results are reinvested continuously, thus goodwill from the acquisition of foreign subsidiaries has been shown since 2005 using the exchange rate at the time of acquisition, allocated to the company acquired, and translated at the exchange rate as of balance sheet date. The effects of fluctuations in exchange rate when converting net asset items into euros are included in currency translation adjustments in Group equity.

#### **c) Raw material price risks**

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

#### **d) Political risks**

The countries in which the Group is active include some that are classified as a political risk or as very dangerous. Order stoppages and terrorist activities may result from political changes that could have an effect on the development of the order intake, the liquidity, and the financial structure of the Group. Risks related to deliveries to countries with medium to high political risks typically are insured to a large extent. However, the requirements for full hedging of these risks are not always available. The measures and procedures in this respect are specified in the Group-wide credit risk policy. In addition also natural disasters or pandemics could affect negatively the development of order intake, the liquidity, and financial structure of the Group.

#### **e) Tax risks**

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

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

#### **f) Credit risks**

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

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits, and monitoring procedures. Where appropriate, the Group obtains guarantees from governmental export agencies or similar private institutions to reduce the risk of a counterpart defaulting.

Credit risk associated with cash, cash equivalents, and securities is low, as a wide distribution with simultaneously defined minimum criteria for the creditworthiness of the contractual partners are determining factors for the conservative investment strategy.

For certain financial assets and financial liabilities, the Group has a legally enforceable right to offset. These amounts are only reported on a net basis. Valuation allowances are included for all known risks. The possibility of a future shortfall in payment exceeding the recorded valuation allowance cannot be avoided with certainty. Without considering risk minimization strategies as described above, the carrying values of financial assets recorded in the financial statements represent the Group's maximum exposure to credit risk in the corresponding categories.

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
Held for trading	48,010	28,285
Available for sale*	166,291	332,767
Loans and receivables**	1,538,200	1,460,410
Derivatives (hedge accounting)	11,141	28,537
Cash and cash equivalents	1,227,860	1,492,848
	<b>2,991,502</b>	<b>3,342,847</b>

\* Excluding shares in non-consolidated companies and other investments

\*\* The net book values were adjusted due to IFRS 3 – see Note E – Acquisitions

The available-for-sale category includes a balance of impairment of 3,476 TEUR (2012: 2,678 TEUR). The loans and receivables category includes a valuation allowances for trade receivables of 50,241 TEUR (2012: 39,166 TEUR).

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. In 2013, the three largest customers contributed less than 10% of the total order intake of the Group. On an overall basis, there is no significant concentration of credit risk.

#### **g) Interest rate risks**

In February 2008, ANDRITZ AG issued bonds for a nominal value of 150 MEUR with a tenor of seven years and a nominal interest rate of 5.25% p.a. For this bond, interest rate swaps have been used to hedge the risk arising from the fixed interest rate of the bond. The interest rate swaps change the fixed interest rate for the whole period to a variable interest rate based on the three-month Euribor. Therefore, ANDRITZ AG is exposed to the risk of a changing interest rate concerning the cash flows, but the fair value of the bond is hedged and hedge accounting in the sense of IAS 39 was applied.

In July 2012, ANDRITZ AG issued further bonds for a nominal value of 350 MEUR with a tenor of seven years and a nominal interest rate of 3.875% p.a. For this bond, interest rate swaps have been used to hedge the risk arising from the fixed interest rate of the bond. The interest rate swaps changed the fixed interest rate of the bond for the whole period to a variable interest rate for each half thereof based on the three-month Euribor (175 MEUR) and the 6-month Euribor (175 MEUR), respectively. Therefore, ANDRITZ AG is exposed to the risk of a changing interest rate concerning the cash flows, but the fair value of the bond is hedged and hedge accounting in the sense of IAS 39 was applied.

The basic contractual parameters of the swaps are similar to those of the bonds, and therefore the hedges were virtually 100% effective in hedging the fair value exposure to interest rate movements. By applying the rules for hedge accounting, the gain or loss from the swaps to fair value was recognized through profit or loss. The gain or loss attributable to the changes of the hedged interest rate risk caused an adjustment to the net book value of the bonds and was also recognized through profit or loss. As a result, the gains and losses resulting from the swaps and the bonds offset each other. The market value of the swaps designated as fair value hedge changes as follows:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
Fair value of swaps as of January 1	28,537	22,312
Fair value of swaps as of December 31	10,526	28,537
<b>Gains/loss recognized through profit or loss</b>	<b>-18,011</b>	<b>6,225</b>

The ANDRITZ GROUP believes that the exposure to interest rate risk of remaining financial assets and liabilities is low due to the risk-averse strategy; additional significant derivative instruments for hedging these interest risks

are not used. The interest rate risks are managed by internal Cash-flow-at-Risk (CfaR) and Value-at-Risk (VaR) calculations and by pre-specified limits. The limits are set for CfaR and VaR using a benchmarking approach. Observation of the defined limits is monitored on a quarterly basis.

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

<i>(in %)</i>	<b>2013</b>	<b>2012</b>
Cash on current accounts	0.5	0.5
Current deposits	2.2	1.2
Securities - current	1.2	1.6
Securities - non-current	1.2	1.0
Overdrafts on current accounts	8.1	8.8
Current loans	4.8	6.5
Non-current loans	5.0	3.1
Bonds - current	0.0	1.1
Bonds - non-current	2.2	2.7

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

#### **h) Sensitivity analyses**

The Group's activities are exposed primarily to the financial risks of changes in foreign currency, changes in fair value, and changes in interest rates. The Group enters into financial derivatives to manage its exposure to foreign currency risk and the risk of changes in fair values. These market risk exposures are measured using sensitivity analyses:

##### **Foreign currency sensitivity**

The sensitivity analysis provides an approximate quantification of the risk exposure in the event that certain specified parameters were to be changed under a specific set of assumptions. Exchange rate risks occur particularly with US dollars (USD), Swiss francs (CHF), Chinese yuan (CNY), Canadian dollars (CAD), and Indian rupees (INR). The following explanations detail the sensitivity to a rise or fall in the US dollar, Swiss franc, etc., against the euro (EUR) from the Group's point of view. The change shows the amount applied in internal reporting of foreign currency risk and reflects the Group's assessment of a possible change in foreign exchange rates. Currency risks in the meaning of IFRS 7 arise as a result of financial instruments that are denominated in a currency other than the functional currency and are of a monetary nature. Translation differences from converting the financial statements of foreign Group companies into the Group currency are disregarded.

The sensitivity analysis includes the important financial instruments of the ANDRITZ GROUP outstanding on the balance sheet date.



This has the following impact on the net income of the Group compared to the net income reported and on the Group equity compared to the Group equity reported:

(in TEUR)	2013		2012	
	+10%	-10%	+10%	-10%
<b>Currency relation</b>				
<b>EUR/USD</b>				
Cash flow hedge reserve	-476	476	0	0
Net income	-1,550	1,550	-3,557	1,986
<b>EUR/CHF</b>				
Net income	-678	678	385	-385
<b>EUR/CNY</b>				
Net income	6,892	-6,892	3,362	-3,362
<b>EUR/CAD</b>				
Net income	-482	482	-4,510	4,510
<b>EUR/INR</b>				
Net income	-1,571	1,571	-925	925

The ANDRITZ GROUP is exposed to currency risks from derivatives included in a cash flow hedge against exchange rate fluctuations in cash flows according to IAS 39. Changes in the exchange rate for the foreign currencies of the underlying transactions influence the unrealized profits from cash flow hedges recognized in other comprehensive income through the change in fair value of the hedging transactions. However, this only applies to the extent that the changes in fair value of the hedging instruments are not compensated in the same amount by countervailing developments in the value of the underlying transactions. This is regularly during the lead time of customer orders in foreign currency, if the customer orders are hedged at 100% at the beginning of the projects. Up to placing of the order, the change in fair value of the derivative is not offset by any countervailing value development by the underlying transaction or only according to the percentage of completion, with the result that the value balance of underlying and hedging transaction on the balance sheet date is to be included in other comprehensive income.

The changes compared to the net income reported are mainly due to the market valuation of foreign exchange forward contracts at new rates, which are used to hedge plan items and are not included in any hedge according to IAS 39. These changes in derivative fair values are offset by the hedged order backlog; the change in value is neither recognized in the net income, nor in the Group's equity.

#### Interest rate sensitivity

The sensitivity analysis has been determined based on the bonds' exposure to interest rates. There is no risk of a changing interest rate concerning the cash flows for ANDRITZ AG as the issuer of the fixed-interest bearing bonds, although a change in the interest rate would affect the fair value of the bonds. However, interest swaps were used for the bonds to hedge the risk from the change in fair value. This results in an obligation for ANDRITZ AG to pay net interest at a variable rate on the basis of 3-month and 6-month Euribor, respectively.

Interest rate sensitivity is assumed at 100 base points in internal reporting on the interest risk. This reflects the Group's estimate with respect to a possible change in the interest rate.

If interest rates are 100 basis points higher and all other variables are kept constant, this would cause a decrease in the fair value of the swaps and a countervailing change in the net book value of the bonds through profit or loss by virtually the same amount.

Changes in market interest rates	Basis points	2013		2012	
		+100	-100	+100	-100
Impact on the result before tax					
Swaps	TEUR	-19,552	20,616	-25,771	26,826
Bonds	TEUR	19,552	-20,616	25,771	-26,826
	TEUR	0	0	0	0

A rise in the interest level by 100 basis points, while simultaneously keeping all other variables constant, would have led to an increase in the interest result of 9,142 TEUR in the 2013 financial year (2012: increase of 13,110 TEUR). A decline in the interest level would have led to a decrease in the interest result in the same amount.

## N) LEASES

The Group has entered into various operating lease agreements for machinery, offices, and other facilities as lessee. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt, or further leasing.

Real estate at the Göppingen location, including the buildings and other important elements, were sold by the Schuler Group in 2007 as part of a sale-and-rent-back transaction and rented back again for a term of 20 years. The actual rental was initially 4,940 TEUR. The rent is adjusted annually according to the German consumer price index (4% max.). In addition, the real estate in São Paulo belonging to the Schuler Group was sold in 2009 and then rented back for a term of 10 years. A purchase or extend option at terms better than the expected market conditions or residual value guarantees is available at the end of the lease terms.

Future minimum lease payments under non-cancellable operating leases are as follows:

(in TEUR)	2013	2012
Not exceeding 1 year	40,294	30,638
1 to 5 years	86,642	50,650
After 5 years	58,925	13,255
	<b>185,861</b>	<b>94,543</b>

ANDRITZ leases facilities for its business operations that are classified as finance leases and largely cover rental of real estate. Future minimum lease payments under non-cancellable finance leases are as follows:

(in TEUR)	2013	2012
Not exceeding 1 year	1,397	1,835
1 to 5 years	4,293	4,538
After 5 years	13,456	14,568
<b>Total minimum lease payments</b>	<b>19,146</b>	<b>20,941</b>
Less amount representing interest	-2,860	-3,516
<b>Present value of leasing payments</b>	<b>16,286</b>	<b>17,425</b>
Less current portion	-962	-1,364
<b>Non-current lease obligations</b>	<b>15,324</b>	<b>16,061</b>

## O) CONTINGENT LIABILITIES AND OFF-BALANCE SHEET TRANSACTIONS

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

ANDRITZ Inc., a subsidiary of the ANDRITZ GROUP, is one of many defendants in 23 asbestos cases (status as of December 31, 2013; 55 cases as of December 31, 2012) in the USA. In aggregate, the cases involve 428 plaintiffs (444 plaintiffs as of December 31, 2012). All of the cases relate to claims against multiple defendants. ANDRITZ Inc. does not believe it should be found liable in connection with any of these claims and intends to defend each claim vigorously.

There are no take-back obligations other than the guarantee claims customary within the industry. The Executive Board is not aware of any further risks and rewards originating from off-balance sheet transactions.

## P) RELATED PARTY TRANSACTIONS

Under IAS 24 (Related Party Disclosures), related parties should be disclosed if they are not already included as a consolidated company in the consolidated financial statements of ANDRITZ AG.

In addition to the companies included in the consolidated financial statements, the Group has direct or indirect relations in the ordinary course of business with non-consolidated subsidiaries and associated companies that are considered as related parties of the Group.

Transactions with associated companies and non-consolidated companies are not material. As the Group's transfer-pricing policy provides for transfer pricing at arm's length, no transactions are conducted that do not comply with market standards. The non-inclusion of non-consolidated entities in the consolidated financial statements has no significant impact on the Group's assets, liabilities, financial position, and profit or loss.

The extent of business relations towards non-consolidated Group companies and associated companies is shown in the following table:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
<b>Trade and other receivables</b>	<b>9,126</b>	<b>17,546</b>
from non-consolidated subsidiaries	8,909	5,477
from associated companies	217	12,069
<b>Liabilities</b>	<b>5,257</b>	<b>3,712</b>
from non-consolidated subsidiaries	4,924	1,954
from associated companies	333	1,758
<b>Sales</b>	<b>7,165</b>	<b>4,581</b>
from non-consolidated subsidiaries	7,165	4,427
from associated companies	0	154
<b>Expenses</b>	<b>-35,932</b>	<b>-36,922</b>
from non-consolidated subsidiaries	-26,989	-21,139
from associated companies	-8,943	-15,783

Under IAS 24, the Group also reports on transactions between itself and its related persons and their family members, respectively. Members of the Executive Board and of the Supervisory Board, as well as their families, have been defined as related parties.

A company attributed to the President and CEO of ANDRITZ AG has ceded operation of a corporate jet aircraft owned by the company to a professional private aviation firm from which ANDRITZ AG has chartered around 35% of annual flight hours of these aircraft for business trips by the President and CEO and other members of the Executive Board in 2013. The related expenses amounted to 643.0 TEUR in 2013 (2012: 1,105.9 TEUR). As of December 31, 2013, liabilities in an amount of 47.6 TEUR (2012: 15.6 TEUR) were recognized.

This and other business relations with companies in which members of the Supervisory Board or the Executive Board are involved are conducted at usual market terms and are of minor importance, both individually and collectively.

Slightly less than 30% of the shares are held by Certus Beteiligungs-GmbH, whose Managing Director is Wolfgang Leitner, President and CEO of ANDRITZ AG.

The remuneration disclosed in accordance with IAS 24 for remuneration of key managers of the Group included the remuneration of the current Executive and Supervisory Boards.

### Emoluments of the Executive Board

The remuneration of the Executive Board is composed of a fixed and a variable/success-based portion. The amount of the variable portion depends on the net profit. For new contracts with members of the Executive Board, the maximum value for the variable annual remuneration was fixed at three times the fixed annual remuneration. Any amounts in excess of this sum will be credited as a variable remuneration for the following years. If the net income of the Group falls short of a defined minimum amount, this results in a 'malus' that is also carried forward to the following years and in a reduction in future variable salary components.

In all share option programs for managerial staff and the Executive Board since the IPO, participation was contingent on investing at least 20,000 EUR in ANDRITZ shares for managerial staff and 40,000 EUR for members of the Executive Board not later than the allocation date of the options. This investment must be maintained continuously until exercise of the options by those persons subscribing to the option program, and evidence thereof must be brought when the options are exercised. There is a waiting period of three years before options can be exercised if the contract of employment is still in force (exception: end of employment contract as scheduled according to contract provisions).

The members of the Executive Board are entitled to receive pension scheme benefits. In addition to a retirement pension, these include benefits in the event of occupational disability, as well as pension payments for dependents following the death of the beneficiary. The retirement pension is normally paid as from a certain age provided that the employment contract has already been terminated by this date. The administration work has been outsourced to a pension fund. In the event that the employment contract is terminated prematurely, contributions made up to this point shall still be vested. The pension amount to which the beneficiary is entitled is not subject to an escalation clause before any benefits become payable; after this, annual adjustments can be made to take account of the development in wages and salaries and of ANDRITZ's economic status.

Each member of the Executive Board shall, upon termination of his function and concurrent termination of employment, be entitled to severance payments in the meaning of Article 23 of the Austrian Employees Act unless such termination is the result of justified dismissal.

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

The following expenses have been recognized for the Executive Board:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
Short-term benefits	3,910	12,747
Post-employment benefits	608	390
Share-based expenses	1,362	1,184
	<b>5,880</b>	<b>14,321</b>

A provision of 5,223 TEUR in 2013 (5,261 TEUR in 2012) was recorded for pensions of former members of the Executive Board and their dependents; expenses for these pensions amounted to 546 TEUR in 2013 (1,201 TEUR in 2012).

ANDRITZ AG took out Directors' and Officers' liability insurance (D&O insurance) for 2013. The costs are covered by the company. The D&O insurance covers certain personal liability risks of persons in the ANDRITZ GROUP acting under responsibility. The annual cost is approximately 360 TEUR (including Schuler).

### Remuneration of the Supervisory Board

The remuneration scheme of the Supervisory Board is composed of a fixed and an attendance-related portion. The fixed portion is a global sum, which is to be distributed such that the chairman of the Supervisory Board receives double the amount and his deputy one-and-a-half-times the amount paid to the other members. The second portion consists of a lump sum fee paid in respect of each meeting that the member attends. The members of the Supervisory Board collectively received remunerations in the amount of 293 TEUR (2012: 188 TEUR).

**Q) EXPENSES FOR SERVICES RENDERED BY THE GROUP AUDITOR**

The expenses for services rendered by the Group auditor comprise the following:

<i>(in TEUR)</i>	<b>2013</b>	<b>2012</b>
Year-end audit	477	531
Other reviews	0	101
Tax advisory services	167	98
Other services	18	0
	<b>662</b>	<b>730</b>

**R) EVENTS AFTER THE BALANCE SHEET DATE**

Regarding cost overruns related to the supply of production technologies and equipment for a pulp mill in South America, provisions that are necessary from today's point of view have been made. However, there is no guarantee that there will be no need for further provisions in the coming quarters.

**S) LIST OF SUBSIDIARIES**

Company	Headquarters	2013		2012	
		Interest	Type of consolidation	Interest	Type of consolidation
Anstalt für Strömungsmaschinen GmbH	Graz, Austria	100.00%	NC	100.00%	NC
ANDRITZ Technology and Asset Management GmbH	Graz, Austria	100.00%	FC	100.00%	FC
ANDRITZ Finance GmbH	Vienna, Austria	100.00%	FC	100.00%	FC
ANDRITZ Power & Water GmbH	Vienna, Austria	100.00%	FC	100.00%	FC
AFB Holding GmbH	Graz, Austria	100.00%	FC	100.00%	FC
ANDRITZ FEED & BIOFUEL (China) Ltd.	Foshan, China	100.00%	FC	100.00%	FC
ANDRITZ Energy & Environment GmbH	Raaba, Austria	100.00%	FC	100.00%	FC
ANDRITZ Environmental Engineering (Shanghai) Co., Ltd.	Shanghai, China	100.00%	FC	100.00%	FC
AE Energietechnik GmbH	Raaba, Austria	100.00%	NC	100.00%	NC
European Mill Service GmbH	Graz, Austria	-	-	50.00%	NC
ANDRITZ Deutschland Beteiligungs GmbH	Krefeld, Germany	100.00%	FC	100.00%	FC
ANDRITZ Ritz Immobilien GmbH	Krefeld, Germany	100.00%	FC	100.00%	FC
TANIAM GmbH & Co. KG	Pullach im Isartal, Germany	100.00%	FC	100.00%	FC
ANDRITZ GmbH	Hemer, Germany	100.00%	FC	100.00%	FC
ANDRITZ Kaiser GmbH	Bretten-Gölshausen, Germany	100.00%	FC	100.00%	FC
ANDRITZ Sundwig GmbH	Hemer, Germany	100.00%	FC	100.00%	FC
ANDRITZ Fiedler GmbH	Regensburg, Germany	100.00%	FC	100.00%	FC
ANDRITZ SEPARATION GmbH	Cologne, Germany	100.00%	FC	100.00%	FC
ANDRITZ s.r.o.	Spišská Nová Ves, Slovakia	-	-	100.00%	FC
ANDRITZ Fließbett Systeme GmbH	Ravensburg, Germany	100.00%	FC	100.00%	FC
Lenser Verwaltungs GmbH	Senden, Germany	100.00%	FC	100.00%	FC
ANDRITZ S.R.L.	Cisnădie, Romania	100.00%	NC	100.00%	NC
Lenser Filtration GmbH	Senden, Germany	100.00%	FC	100.00%	FC
Lenser Asia Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00%	FC	100.00%	FC
ANDRITZ HYDRO GmbH	Ravensburg, Germany	100.00%	FC	100.00%	FC
ANDRITZ Küsters GmbH	Krefeld, Germany	100.00%	FC	100.00%	FC
ANDRITZ Kufferath GmbH	Düren, Germany	100.00%	FC	100.00%	FC
AKRE Real Estate GmbH	Düren, Germany	100.00%	FC	100.00%	FC
ANDRITZ MAERZ GmbH	Duesseldorf, Deutschland	100.00%	FC	100.00%	FC
Modul Systeme Engineering GmbH	Laufen, Germany	100.00%	FC	50.00%	NC
Modul Systeme Projekt Verwaltungs GmbH	Laufen, Germany	100.00%	NC	50.00%	NC
Modul Systeme Projekt GmbH & CO. KG	Laufen, Germany	100.00%	FC	50.00%	NC
Modul Seeger Verwaltungs GmbH	Laufen, Germany	-	-	25.00%	NC
Springer Maschinen-und Reparatur-Service GmbH	Springe, Germany	-	-	50.00%	NC
ANDRITZ KMPT GmbH	Vierkirchen, Germany	100.00%	FC	100.00%	FC
ANDRITZ KMPT Inc.	Florence / Kentucky, USA	100.00%	FC	100.00%	FC
ANDRITZ Ritz GmbH	Schwäbisch Gmünd, Germany	100.00%	FC	100.00%	FC
ANDRITZ Atro GmbH	Nürnberg, Germany	100.00%	FC	100.00%	FC
ANDRITZ Ritz Pte Ltd.	Singapore,	100.00%	FC	100.00%	FC

	Singapore				
Ritz Pumps South Africa (Pty) Ltd.	Boksburg, South Africa	23.00%	NC	23.00%	NC
Ritz Verwaltungsgesellschaft mit beschränkter Haftung	Schwäbisch Gmünd, Germany	100.00%	NC	100.00%	NC
ANDRITZ MeWa GmbH	Gechingen, Germany	100.00%	FC	100.00%	NC
MEWA RECYCLING Keleti Régió Kft.	Győr, Hungary	100.00%	NC	-	-
ANDRITZ FBB GmbH	Moenchengladbach, Germany	100.00%	FC	-	-
ANDRITZ HYDRO GmbH	Vienna, Austria	100.00%	FC	100.00%	FC
ANDRITZ HYDRO S.A.S.	Grenoble, France	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Private Limited	Bhopal, India	100.00%	FC	100.00%	FC
ANDRITZ HYDRO S.L.	Madrid, Spain	100.00%	FC	100.00%	FC
ANDRITZ HYDRO S.r.l., Unipersonale	Vicenza, Italy	100.00%	FC	100.00%	FC
ANDRITZ HYDRO AG	Kriens, Switzerland	100.00%	FC	100.00%	FC
ANDRITZ HYDRO S.A. de C.V.	Morelia, Mexico	100.00%	FC	100.00%	FC
ANDRITZ HYDRO AS	Jevnaker, Norway	100.00%	FC	100.00%	FC
ANDRITZ HYDRO S.A.	El Dorado, Panama	100.00%	NC	100.00%	NC
ANDRITZ HYDRO BRASIL Ltda.	São Paulo, Brazil	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Ltd. Sti.	Ankara, Turkey	100.00%	FC	100.00%	FC
PT. ANDRITZ HYDRO	Jakarta, Indonesia	51.00%	FC	51.00%	FC
ANDRITZ HYDRO S.A.	Lima, Peru	100.00%	NC	100.00%	NC
ANDRITZ HYDRO (Pty) Ltd	Kyalami, South Africa	100.00%	NC	100.00%	NC
ANDRITZ HYDRO Ltda.	Bogota, Colombia	100.00%	FC	100.00%	FC
ANDRITZ HYDRO s.r.o.	Prague, Czech Republic	100.00%	NC	100.00%	NC
ANDRITZ India Private Limited	New Delhi, India	100.00%	NC	100.00%	NC
ANDRITZ HYDRO C.A.	Caracas, Venezuela	100.00%	NC	100.00%	NC
ANDRITZ Power Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00%	FC	100.00%	FC
ANDRITZ HYDRO INC.	Makati City, Philippines	100.00%	NC	100.00%	NC
ANDRITZ Ulu Jelai Project Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00%	NC	100.00%	NC
PHP Philippines Hydro Project, Inc.	Makati City, Philippines	25.00%	NC	25.00%	NC
ANDRITZ HYDRO Hammerfest AS	Hammerfest, Norway	59.43%	FC	59.43%	FC
ANDRITZ HYDRO Hammerfest (UK) Limited	Glasgow, United Kingdom	59.43%	FC	59.43%	FC
VA TECH Escher Wyss Peru S.A.C.	Lima, Peru	100.00%	NC	100.00%	NC
ANDRITZ HYDRO UNIPESSOAL LDA	Porto, Portugal	100.00%	NC	100.00%	NC
ANDRITZ HYDRO DRC SARL	Kinshasa, Democratic Republic of the Congo	100.00%	NC	-	-
HGI Holdings Limited	Limassol, Cyprus	100.00%	NC	100.00%	NC
ZAO HGI PCS	St. Petersburg, Russia	75.00%	NC	75.00%	NC
ANDRITZ SEPARATION (India) Private Ltd.	Chennai, India	100.00%	FC	100.00%	FC
ACB Entwicklungsgesellschaft mbH	Vienna, Austria	73.00%	NC	73.00%	NC
ANDRITZ FEED & BIOFUEL A/S	Esbjerg, Denmark	100.00%	FC	100.00%	FC
ANDRITZ FEED & BIOFUEL Brasil Ltda.	Curitiba, Brazil	100.00%	NC	100.00%	NC
ANDRITZ Slovakia s.r.o.	Humenné, Slovakia	100.00%	FC	100.00%	NC
ANDRITZ Chile Ltda.	Santiago de Chile,	100.00%	FC	100.00%	FC

	Chile				
ANDRITZ (USA) Inc.	Roswell / Georgia, USA	100.00%	FC	100.00%	FC
ANDRITZ Inc.	Roswell / Georgia, USA	100.00%	FC	100.00%	FC
ANDRITZ Finance Inc.	Tualatin / Oregon, USA	-	-	100.00%	FC
Precision Machine and Supply, Inc.	Spokane / Washington, USA	51.00%	FC	51.00%	FC
Delta Holding Corporation	Tualatin / Oregon, USA	-	-	100.00%	FC
ANDRITZ SEPARATION Inc.	Arlington / Texas, USA	100.00%	FC	100.00%	FC
ANDRITZ AUTOMATION Inc.	Decatur / Georgia, USA	-	-	100.00%	FC
ANDRITZ HYDRO Corp.	Charlotte / North Carolina, USA	100.00%	FC	100.00%	FC
ANDRITZ Metals Inc.	Canonsburg / Pennsylvania, USA	100.00%	FC	100.00%	FC
ANDRITZ Environmental Solutions Inc.	Wilmington / Delaware, USA	100.00%	FC	100.00%	FC
ANDRITZ S.A.S.	Vélizy-Villacoublay, France	100.00%	FC	100.00%	FC
ANDRITZ Selas S.A.S.	Asnières-sur-Seine, France	100.00%	FC	100.00%	FC
Lenser Filtration S.a.r.l.	Haguenau, France	100.00%	FC	100.00%	FC
Jaybee Eng. (Holdings) Pty. Ltd.	Carrum Downs / Victoria, Australia	100.00%	FC	100.00%	FC
ANDRITZ Pty. Ltd.	Carrum Downs / Victoria, Australia	100.00%	FC	100.00%	FC
ANDRITZ Ingeniería S.A.	Madrid, Spain	100.00%	FC	100.00%	FC
ANDRITZ Brasil Ltda.	Curitiba, Brazil	100.00%	FC	100.00%	FC
ANDRITZ SEPARATION Indústria e Comércio de Equipamentos de Filtração Ltda.	Pomerode, Brazil	100.00%	FC	100.00%	FC
Sindus ANDRITZ Ltda.	Porto Alegre, Brazil	100.00%	FC	100.00%	FC
Sindus ANDRITZ Uruguay S.A.	Río Negro, Uruguay	100.00%	NC	100.00%	NC
ANDRITZ HYDRO Inepar do Brasil S.A	Araraquara, Brazil	50.00%	FC	50.00%	FC
ANDRITZ Pilão Equipamentos Ltda.	São Paulo, Brazil	100.00%	FC	100.00%	FC
ANDRITZ Oy	Helsinki, Finland	100.00%	FC	100.00%	FC
Savonlinna Works Oy	Savonlinna, Finland	100.00%	FC	100.00%	FC
ANDRITZ Hydro Oy	Tampere, Finland	100.00%	FC	100.00%	FC
Warkaus Works Oy	Varkaus, Finland	100.00%	FC	50.00%	EQ
Enmas ANDRITZ Pvt. Ltd.	Chennai, India	40.00%	EQ	40.00%	EQ
Carbona Oy	Helsinki, Finland	100.00%	NC	80.00%	NC
Viafin Brazil Oy	Teuva, Finland	40.00%	EQ	40.00%	EQ
A&V Montagens INDUSTRIAIS Ltda.	Lapa, Brazil	40.00%	EQ	40.00%	EQ
ANDRITZ HYDRO Canada Inc.	Peterborough / Ontario, Canada	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Ltd./Ltee.	Pointe Claire / Quebec, Canada	100.00%	FC	100.00%	FC
ANDRITZ HYDRO Installations Inc.	Pointe Claire / Quebec, Canada	100.00%	NC	100.00%	NC
ANDRITZ Ltd./Ltée.	Lachine / Quebec, Canada	100.00%	FC	100.00%	FC
ANDRITZ Paper Machinery Ltd.	Lachine / Quebec, Canada	100.00%	FC	100.00%	FC
Universal Dynamics Group Ltd.	Richmond /	100.00%	FC	100.00%	FC



	British Columbia, Canada				
ANDRITZ Automation Ltd.	Richmond / British Columbia, Canada	100.00%	FC	100.00%	FC
IDEAS Simulation & Control Ltd.	Richmond / British Columbia, Canada	100.00%	FC	100.00%	FC
Universal Dynamics Group (USA) Ltd.	Richmond / British Columbia, Canada	100.00%	FC	100.00%	FC
Universal Dynamics America Corp.	Bellingham / Washington, USA	-	-	100.00%	FC
Hemicycle Controls Inc.	Chambly / Quebec, Canada	100.00%	FC	100.00%	FC
ANDRITZ AB	Örnsköldsvik / Växjö , Sweden	100.00%	FC	100.00%	FC
ANDRITZ HYDRO AB	Nälden, Sweden	100.00%	FC	100.00%	FC
ANDRITZ Ltd.	Newcastle-under-Lyme, United Kingdom	100.00%	FC	100.00%	FC
ANDRITZ (China) Ltd.	Foshan, China	100.00%	FC	100.00%	FC
Shanghai FOAO Enterprise Management Consulting Co., Ltd.	Shanghai, China	100.00%	NC	-	-
Shanghai Shende Machinery Co. Ltd.	Shanghai, China	80.00%	FC	-	-
Shanghai Shenliang Mechanical Equipment and Erection Co. Ltd.	Shanghai, China	80.00%	NC	-	-
ANDRITZ - Wolfensberger Special Alloy Foundry Co. Ltd.	Foshan, China	95.00%	FC	95.00%	FC
ANDRITZ Technologies H.K. Ltd.	Hong Kong, China	100.00%	FC	100.00%	FC
ANDRITZ Thermttec Holding B.V.	Rotterdam, The Netherlands	100.00%	FC	100.00%	FC
ANDRITZ Thermttec B.V.	Rotterdam, The Netherlands	100.00%	FC	100.00%	FC
ANDRITZ Technologies Pvt. Ltd.	Bangalore, India	100.00%	FC	100.00%	FC
ANDRITZ FEED & BIOFUEL Ltd.	Hull, United Kingdom	100.00%	FC	100.00%	FC
ANDRITZ FEED & BIOFUEL B.V.	Geldrop, The Netherlands	100.00%	FC	100.00%	FC
ANDRITZ B.V.	Den Helder, The Netherlands	100.00%	FC	100.00%	FC
ANDRITZ 3SYS AG	Hendschiken, Switzerland	-	-	100.00%	FC
ANDRITZ Singapore Pte. Ltd.	Singapore, Singapore	100.00%	FC	100.00%	FC
ANDRITZ (Thailand) Ltd.	Bangkok, Thailand	100.00%	NC	100.00%	NC
ANDRITZ Uruguay S. A.	Fray Bentos, Uruguay	100.00%	FC	100.00%	FC
ANDRITZ Industrias S. A.	Fray Bentos, Uruguay	100.00%	NC	100.00%	NC
ANDRITZ Pulp Technologies Punta Pereira S.A.	Montevideo, Uruguay	100.00%	FC	100.00%	FC
ANDRITZ K.K.	Tokyo, Japan	100.00%	FC	100.00%	FC
ANDRITZ (Pty) Ltd.	Kyalami, South Africa	-	-	100.00%	FC
ANDRITZ DELKOR (Pty) Ltd.	Kyalami, South Africa	100.00%	FC	100.00%	FC
GKD Delkor (Pty) Ltd.	Kyalami, South Africa	100.00%	NC	100.00%	NC
PT. ANDRITZ	Jakarta, Indonesia	100.00%	FC	100.00%	FC
ANDRITZ Australia Pty Ltd.	Melbourne / Victoria, Australia	100.00%	NC	100.00%	NC
LLC ANDRITZ	St. Petersburg,	100.00%	FC	100.00%	FC

	Russia				
LLC ANDRITZ HYDRO	Moscow, Russia	100.00%	NC	100.00%	NC
ANDRITZ Kufferath s.r.o.	Levice, Slovakia	100.00%	FC	100.00%	FC
ANDRITZ Kft.	Tiszaújváros, Hungary	100.00%	FC	100.00%	FC
ANDRITZ Perfojet S.A.S.	Montbonnot Saint-Martin, France	100.00%	FC	100.00%	FC
ANDRITZ Biax S.A.S.	Le Bourget du Lac, France	100.00%	FC	100.00%	FC
ANDRITZ Biax GmbH	Graz, Austria	100.00%	NC	100.00%	NC
ANDRITZ Frautech S.R.L.	Vicenza, Italy	100.00%	FC	100.00%	FC
ProGENF IP GmbH	Wolfsburg, Germany	30.00%	NC	30.00%	NC
ANDRITZ Como S.R.L.	Grandate, Italy	100.00%	NC	100.00%	NC
ANDRITZ Iggesund Tools AB	Igesund, Sweden	100.00%	FC	100.00%	FC
ANDRITZ Iggesund Tools, Inc.	Atlanta Oldsmar, USA	100.00%	FC	100.00%	FC
ANDRITZ Iggesund Tools Canada Inc.	Laval / Quebec, Canada	100.00%	FC	100.00%	FC
ANDRITZ Boisfer Iggesund S.A.S.	Miribel, France	100.00%	FC	100.00%	FC
Igesund Tools Deutschland GmbH	Burgsinn, Germany	-	-	100.00%	NC
ANDRITZ Iggesund Tools Oy	Helsinki, Finland	100.00%	NC	100.00%	NC
ANDRITZ Iggesund Tools Australia Pty. Ltd.	Carrum Downs, Australia	-	-	100.00%	NC
ANDRITZ (NZ) Ltd.	Tauranga, New Zealand	100.00%	NC	100.00%	NC
ANDRITZ Asselin-Thibeau S.A.S.	Elbeuf, France	100.00%	FC	100.00%	FC
ANDRITZ Beteiligungsgesellschaft IV GmbH Schuler Aktiengesellschaft	Krefeld, Germany Goepfingen, Germany	100.00% 96.02%	FC FC	- -	- -
Schuler Pressen GmbH	Goepfingen, Germany	96.02%	FC	-	-
SUPERA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weingarten KG	Schoenefeld, Germany	96.02%	FC	-	-
Nora Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weingarten KG	Gruenwald, Germany	96.02%	FC	-	-
Schmiedetechnik & Service GmbH	Weingarten, Germany	96.02%	NC	-	-
Schuler Italia S.r.l.	Turin, Italy	86.42%	NC	-	-
ATIS GmbH	Deggenhauseral, Germany	96.02%	NC	-	-
Schuler (Dalian) Forming Technologies Co., Ltd.	Dalian, China	96.02%	FC	-	-
Schuler Sales & Service (Shanghai) Co., Ltd.	Shanghai, China	96.02%	FC	-	-
Beutler Nova AG	Gettnau, Switzerland	96.02%	FC	-	-
Schuler Presses UK Limited	Walsall, United Kingdom	96.02%	FC	-	-
BCN Technical Services Inc.	Hastings, USA	96.02%	FC	-	-
Müller Weingarten de México S.A. de C.V.	Puebla, Mexico	96.02%	FC	-	-
Schuler Thailand Co. Ltd.	Bangkok, Thailand	96.02%	NC	-	-
Gräbener Pressensysteme GmbH & Co KG	Netphen, Germany	96.02%	FC	-	-
Schuler SMG GmbH & Co. KG	Waghäusel, Germany	96.02%	FC	-	-
Schuler Hydrap Geschäftsführungs GmbH	Esslingen, Germany	96.02%	NC	-	-
Schuler Hydrap GmbH & Co. KG	Esslingen, Germany	96.02%	FC	-	-

Rena Grundstücksverwaltungsgesellschaft mbH & co. Vermietungs-KG	Pullach im Isartal, Germany	96.02%	FC	-	-
Tianjin SMG Presses Co. Ltd.	Tianjin, China	96.02%	NC	-	-
Schuler Automation GmbH & Co. KG	Hessdorf, Germany	96.02%	FC	-	-
Schuler Cartec GmbH & Co. KG	Goepplingen, Germany	96.02%	FC	-	-
Schuler Cartec Engineering GmbH & Co. KG	Weingarten, Germany	96.02%	FC	-	-
Schuler Cartec Verwaltungs GmbH	Weingarten, Germany	96.02%	FC	-	-
Müller Weingarten Werkzeuge GmbH	Weingarten, Germany	96.02%	FC	-	-
Umformcenter Erfurt GmbH	Erfurt, Germany	96.02%	FC	-	-
Schuler Guß GmbH & Co. KG	Goepplingen, Germany	96.02%	FC	-	-
Vögtle Service GmbH	Eislingen, Germany	96.02%	FC	-	-
Schuler France S.A.	Strasbourg, France	96.02%	FC	-	-
Schuler Inc.	Canton, USA	96.02%	FC	-	-
Prensas Schuler S.A.	São Paulo, Brazil	96.02%	FC	-	-
BCN do Brasil Servicos e Comercio Ltda	São Paulo, Brazil	96.02%	NC	-	-
Shanghai Schuler Presses Co. Ltd.	Shanghai, China	76.23%	FC	-	-
Schuler Systems & Services Geschäftsführungs GmbH	Goepplingen, Germany	96.02%	NC	-	-
Gräbener Pressensysteme-Verwaltungs GmbH	Netphen, Germany	96.02%	NC	-	-
Graebener Press Systems Inc.	Warwick / Rhode Island, USA	96.02%	NC	-	-
Schuler SMG Geschäftsführungs GmbH	Goepplingen, Germany	96.02%	NC	-	-
Schuler Automation Geschäftsführungs GmbH	Hessdorf, Germany	96.02%	NC	-	-
Schuler Cartec Geschäftsführungs GmbH	Weingarten, Germany	96.02%	NC	-	-
Schuler Lasertechnik Geschäftsführungs GmbH	Goepplingen, Germany	96.02%	NC	-	-
Schuler Guß Geschäftsführungs GmbH	Goepplingen, Germany	96.02%	NC	-	-
Schuler Iberica S.A.U.	Sant Cugat del Valles, Spain	96.02%	NC	-	-
Schuler Slovakia Services s.r.o.	Dubnica nad Vahom, Slowakai	96.02%	NC	-	-
Schuler India Private Limited	Mumbai, India	96.02%	NC	-	-
Schuler Poland Service Sp.z o.o.	Kedzierzyn-Kozle, Poland	96.02%	NC	-	-
Tianjin GMTSC Machine Tool Service Co. Ltd.	Tianjin, China	48.01%	NC	-	-
Pressa Italia S.p.A.	Rom, Italy	96.02%	NC	-	-
Schuler Pressen Geschäftsführungs GmbH	Goepplingen, Germany	96.02%	NC	-	-
ANDRITZ (Wuxi) Nonwoven Technology Co. Ltd.	Wuxi, China	100.00%	FC	100.00%	FC
ANDRITZ Soutec AG	Neftenbach, Switzerland	100.00%	FC	100.00%	FC
Soutec Shanghai Ltd.	Shanghai, China	100.00%	NC	100.00%	NC
Soutec Ltd	Farmington Hills / Michigan, USA	-	-	100.00%	NC
Beheermaatschappij "G.M.F." B.V.	Waddinxveen, The Netherlands	100.00%	FC	100.00%	NC
Vastgoedmaatschappij "G.M.F." B.V.	Waddinxveen, The Netherlands	100.00%	FC	100.00%	NC
ANDRITZ Gouda B.V.	Waddinxveen, The	100.00%	FC	100.00%	FC

	Netherlands				
GMF-Gouda Singapore Pte Ltd.	Singapore, Singapore	100.00%	NC	100.00%	NC
GMF-Gouda America Inc.	Weatherby Lake / Missouri, USA	-	-	100.00%	NC
S.A.S.J.E. Duprat & Cie	La Roche Blanche, France	100.00%	NC	100.00%	NC
Royal GMF-Gouda Germany GmbH	Ratingen, Germany	-	-	100.00%	NC
GMF-Gouda China Co Ltd.	Beijing, China	100.00%	NC	100.00%	NC
Larvik Cell Holding AS	Jevnaker, Norway	-	-	100.00%	NC

FC ... Full consolidation

EQ ... Equity valuation

NC ... Not considered due to minor importance

Graz, February 19, 2014

Wolfgang Leitner m.p.  
(President and CEO)

Karl Hornhofer m.p.

Humbert Köfler m.p.

Friedrich Papst m.p.

Wolfgang Semper m.p.

## STATEMENT BY THE EXECUTIVE BOARD


### Statement by the Executive Board, pursuant to Article 82 para. 4 of the (Austrian) Stock Exchange Act

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.


We confirm to the best of our knowledge that the financial statements of the parent company give a true and fair view of the assets, liabilities, financial position, and profit or loss as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Graz, February 2014


The Executive Board of ANDRITZ AG



Wolfgang Leitner  
President and CEO



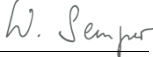
Karl Hornhofer  
PULP & PAPER  
(Capital Systems)



Humbert Köfler  
PULP & PAPER  
(Service & Units),  
SEPARATION



Friedrich Papst  
METALS,  
HYDRO (Pumps),  
SEPARATION (Animal  
Feed Technologies)



Wolfgang Semper  
HYDRO

# AUDITOR'S REPORT

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of ANDRITZ AG, Graz, for the fiscal year from January 1, 2013 to December 31, 2013. These consolidated financial statements comprise the consolidated statement of financial position as of December 31, 2013, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2013, and the notes.

## Management's responsibility for the consolidated financial statements and for the accounting system

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a UGB. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

## Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2013 and of its financial performance and its cash flows for the financial year from January 1, 2013 to December 31, 2013 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

## Comments on the management report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, February 19, 2014

**Deloitte.**  
Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Nikolaus MÜLLER  
(Austrian) Certified Public Accountant

Mag. Walter MÜLLER  
(Austrian) Certified Public Accountant

# AUDITOR'S REPORT

## Report on the financial statements

We have audited the accompanying financial statements, including the accounting system, of ANDRITZ AG, Graz, for the fiscal year from January 1, 2013 to December 31, 2013. These financial statements comprise the balance sheet as of December 31, 2013, the income statement for the financial year ended December 31, 2013, and the notes.

## Management's responsibility for the financial statements and for the accounting system

The Company's management is responsible for the accounting system and for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

## Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2013 and of its financial performance for the financial year from January 1, 2013 to December 31, 2013 in accordance with Austrian generally accepted accounting principles.

## Comments on the management report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.



In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, February 19, 2014

**Deloitte.**  
Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Nikolaus MÜLLER  
(Austrian) Certified Public Accountant

Mag. Walter MÜLLER  
(Austrian) Certified Public Accountant

**ANDRITZ AG**

Stattegger Strasse 18  
8045 Graz, Austria  
investors@andritz.com

Produced in-house using FIRE.sys

**Disclaimer**

Certain statements contained in the 2013 annual report and in the 2013 annual financial report constitute “forward-looking statements.” These statements, which contain the words “believe”, “intend”, “expect”, and words of a similar meaning, reflect the Executive Board’s beliefs and expectations and are subject to risks and uncertainties that may cause actual results to differ materially. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. The company disclaims any obligation to publicly announce the result of any revisions to the forward-looking statements made herein, except where it would be required to do so under applicable law. The 2013 annual report and the 2013 annual financial report contain assumptions and forecasts based on the information available up to the copy deadline on February 19, 2014. If the premises for these assumptions and forecasts do not occur, or risks indicated in the chapter “corporate risks” and in the management report in the 2013 annual financial report do arise, actual results may vary from the forecasts made in the 2013 annual report and in the 2013 annual financial report. Although the greatest caution was exercised in preparing data, all information related to the future is provided without guarantee.

**ANDRITZ**