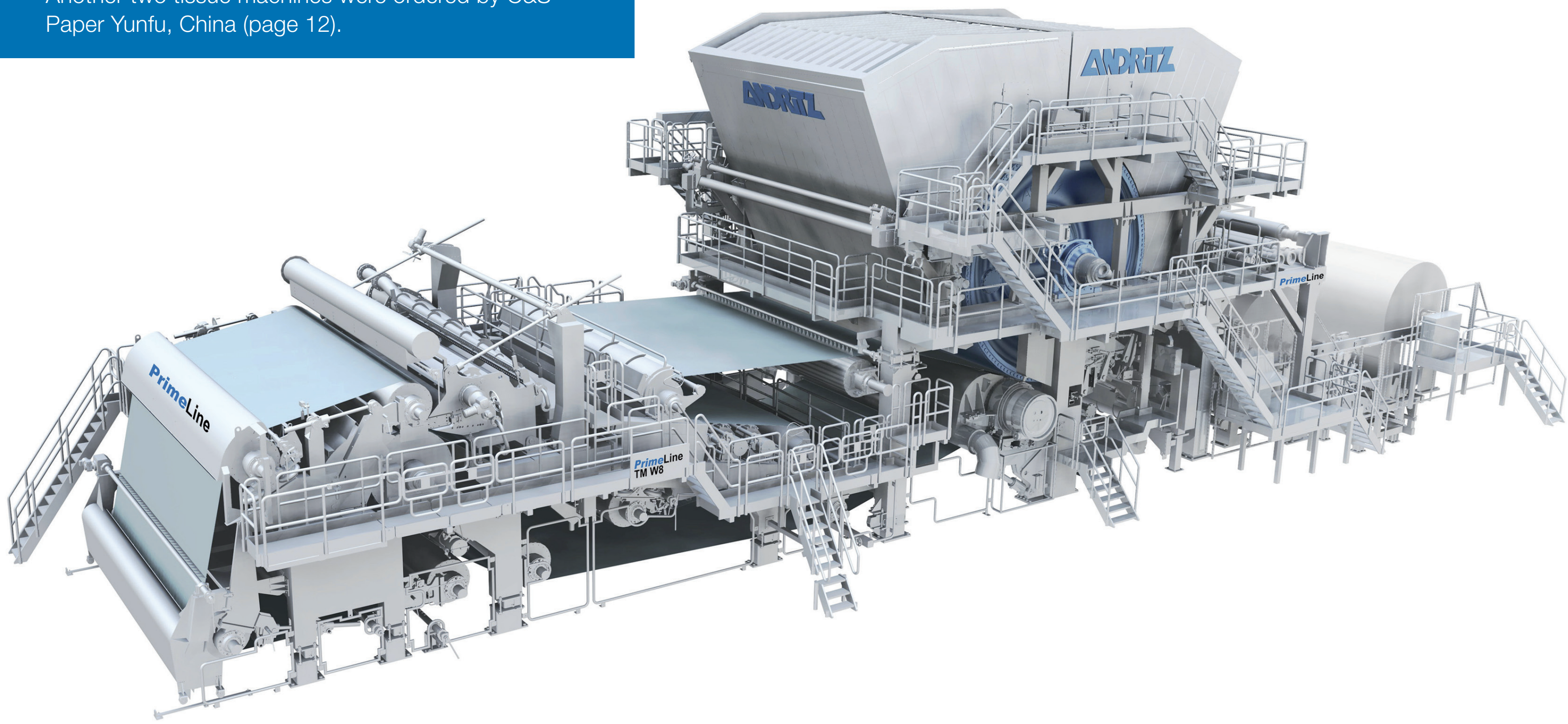
# Q1-Q3

## INTERIM FINANCIAL REPORT
## FIRST THREE QUARTERS OF 2012

For the Hengan Group, China, ANDRITZ successfully started up two tissue machines (see graphic) during the third quarter of 2012. Hengan now has nine ANDRITZ tissue machines in operation, two of which currently have the world's largest steel yankees for tissue applications. Another two tissue machines were ordered by C&S Paper Yunfu, China (page 12).




ANDRITZ

# KEY FINANCIAL FIGURES OF THE ANDRITZ GROUP

| *(According to IFRS)* | *Unit* | **Q1-Q3 2012** | Q1-Q3 2011 | +/- | **Q3 2012** | Q3 2011 | +/- | 2011 |
|---|---|---|---|---|---|---|---|---|
| Order intake | MEUR | 3,793.2 | 4,898.6 | -22.6% | 1,238.8 | 1,254.1 | -1.2% | 5,706.9 |
| Order backlog (as of end of period) | MEUR | 6,929.8 | 7,325.0 | -5.4% | 6,929.8 | 7,325.0 | -5.4% | 6,683.1 |
| Sales | MEUR | 3,703.3 | 3,184.2 | +16.3% | 1,265.5 | 1,173.1 | +7.9% | 4,596.0 |
| Return on sales[1)] | % | 6.1 | 6.5 | - | 6.4 | 7.2 | - | 6.8 |
| EBITDA[2)] | MEUR | 286.1 | 261.3 | +9.5% | 101.4 | 104.3 | -2.8% | 386.2 |
| EBITA[3)] | MEUR | 242.1 | 221.4 | +9.3% | 86.5 | 89.8 | -3.7% | 331.5 |
| Earnings Before Interest and Taxes (EBIT) | MEUR | 224.0 | 207.9 | +7.7% | 80.9 | 84.8 | -4.6% | 312.7 |
| Earnings Before Taxes (EBT) | MEUR | 231.0 | 215.1 | +7.4% | 81.2 | 88.0 | -7.7% | 321.7 |
| Net income (including non-controlling interests) | MEUR | 166.2 | 151.8 | +9.5% | 58.7 | 62.1 | -5.5% | 231.5 |
| Net income (without non-controlling interests) | MEUR | 167.2 | 150.5 | +11.1% | 58.5 | 62.0 | -5.6% | 230.7 |
| Cash flow from operating activities | MEUR | 219.2 | 339.9 | -35.5% | 99.8 | 133.1 | -25.0% | 433.8 |
| Capital expenditure[4)] | MEUR | 52.3 | 41.7 | +25.4% | 17.8 | 18.2 | -2.2% | 77.0 |
| Employees (as of end of period; without apprentices) | - | 17,686 | 16,692 | +6.0% | 17,686 | 16,692 | +6.0% | 16,750 |
| Fixed assets | MEUR | 1,285.1 | 1,088.2 | +18.1% | 1,285.1 | 1,088.2 | +18.1% | 1,151.8 |
| Current assets | MEUR | 3,818.6 | 3,297.0 | +15.8% | 3,818.6 | 3,297.0 | +15.8% | 3,414.8 |
| Shareholders' equity[5)] | MEUR | 989.7 | 853.3 | +16.0% | 989.7 | 853.3 | +16.0% | 938.9 |
| Provisions | MEUR | 688.1 | 638.3 | +7.8% | 688.1 | 638.3 | +7.8% | 667.3 |
| Liabilities | MEUR | 3,425.9 | 2,893.6 | +18.4% | 3,425.9 | 2,893.6 | +18.4% | 2,960.4 |
| Total assets | MEUR | 5,103.7 | 4,385.2 | +16.4% | 5,103.7 | 4,385.2 | +16.4% | 4,566.6 |
| Equity ratio[6)] | % | 19.4 | 19.5 | - | 19.4 | 19.5 | - | 20.6 |
| Return on equity[7)] | % | 23.3 | 25.2 | - | 8.2 | 10.3 | - | 34.3 |
| Return on investment[8)] | % | 4.4 | 4.7 | - | 1.6 | 1.9 | - | 6.8 |
| Liquid funds[9)] | MEUR | 2,059.3 | 1,764.4 | +16.7% | 2,059.3 | 1,764.4 | +16.7% | 1,814.5 |
| Net liquidity[10)] | MEUR | 1,286.4 | 1,330.4 | -3.3% | 1,286.4 | 1,330.4 | -3.3% | 1,400.6 |
| Net debt[11)] | MEUR | -1,080.5 | -1,147.3 | +5.8% | -1,080.5 | -1,147.3 | +5.8% | -1,198.4 |
| Net working capital[12)] | MEUR | -638.7 | -629.8 | +1.4% | -638.7 | -629.8 | +1.4% | -639.2 |
| Capital employed[13)] | MEUR | -78.7 | -135.1 | -41.7% | -78.7 | -135.1 | -41.7% | -128.6 |
| Gearing[14)] | % | -109.2 | -134.5 | - | -109.2 | -134.5 | - | -127.6 |
| EBITDA margin | % | 7.7 | 8.2 | - | 8.0 | 8.9 | - | 8.4 |
| EBITA margin | % | 6.5 | 7.0 | - | 6.8 | 7.7 | - | 7.2 |
| EBIT margin | % | 6.0 | 6.5 | - | 6.4 | 7.2 | - | 6.8 |
| Net income[15)]/sales | % | 4.5 | 4.8 | - | 4.6 | 5.3 | - | 5.0 |
| EV[16)]/EBITDA | - | 11.5 | 7.2 | - | 32.5 | 18.0 | - | 5.0 |
| Depreciation and amortization/sales | % | 1.7 | 1.7 | - | 1.7 | 1.7 | - | 1.6 |

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 18,023 TEUR (13,507 TEUR for Q3 2011, 17,839 TEUR for 2011) and impairment of goodwill at the amount of 0 TEUR (0 TEUR for Q3 2011, 1,000 TEUR for 2011) 4) Additions to intangible assets and property, plant, and equipment 5) Total shareholders' equity incl. non-controlling interests 6) Shareholders' equity/total assets 7) EBT (Earnings Before Taxes)/shareholders' equity 8) EBIT (Earnings Before Interest and Taxes)/total assets 9) Cash and cash equivalents plus marketable securities plus loans against borrowers' notes 10) Liquid funds plus fair value of interest rate swaps minus financial liabilities 11) Interest bearing liabilities including provisions for severance payments, pensions, and jubilee payments minus cash and cash equivalents, marketable securities and loans against borrowers' notes 12) Non-current receivables plus current assets (excluding cash and cash equivalents as well as marketable securities and loans against borrowers' notes) minus other non-current liabilities and current liabilities (excluding financial liabilities and provisions) 13) Net working capital plus intangible assets and property, plant, and equipment 14) Net debt/total shareholders' equity 15) Net income (including non-controlling interests) 16) EV (Enterprise Value): market capitalization based on closing price as of end of period minus net liquidity

# KEY FINANCIAL FIGURES OF THE BUSINESS AREAS

| HYDRO | Unit | Q1-Q3 2012 | Q1-Q3 2011 | +/- | Q3 2012 | Q3 2011 | +/- | 2011 |
|---|---|---|---|---|---|---|---|---|
| Order intake | MEUR | 1,504.6 | 1,812.7 | -17.0% | 391.4 | 715.6 | -45.3% | 2,096.2 |
| Order backlog (as of end of period) | MEUR | 3,944.6 | 3,978.8 | -0.9% | 3,944.6 | 3,978.8 | -0.9% | 3,671.4 |
| Sales | MEUR | 1,245.7 | 1,223.0 | +1.9% | 438.7 | 417.9 | +5.0% | 1,772.9 |
| EBITDA | MEUR | 114.0 | 112.5 | +1.3% | 39.3 | 40.3 | -2.5% | 174.3 |
| EBITDA margin | % | 9.2 | 9.2 | - | 9.0 | 9.6 | - | 9.8 |
| EBITA | MEUR | 92.4 | 92.8 | -0.4% | 32.1 | 32.8 | -2.1% | 147.7 |
| EBITA margin | % | 7.4 | 7.6 | - | 7.3 | 7.8 | - | 8.3 |
| Employees (as of end of period; without apprentices) | - | 7,534 | 7,343 | +2.6% | 7,534 | 7,343 | +2.6% | 7,285 |

| PULP & PAPER | Unit | Q1-Q3 2012 | Q1-Q3 2011* | +/- | Q3 2012 | Q3 2011* | +/- | 2011* |
|---|---|---|---|---|---|---|---|---|
| Order intake | MEUR | 1,523.3 | 2,372.1 | -35.8% | 542.1 | 318.4 | +70.3% | 2,694.1 |
| Order backlog (as of end of period) | MEUR | 2,088.7 | 2,497.5 | -16.4% | 2,088.7 | 2,497.5 | -16.4% | 2,230.0 |
| Sales | MEUR | 1,724.8 | 1,293.9 | +33.3% | 561.1 | 499.7 | +12.3% | 1,884.9 |
| EBITDA | MEUR | 121.7 | 98.9 | +23.1% | 43.2 | 41.7 | +3.6% | 138.1 |
| EBITDA margin | % | 7.1 | 7.6 | - | 7.7 | 8.3 | - | 7.3 |
| EBITA | MEUR | 106.0 | 86.7 | +22.3% | 37.9 | 37.9 | 0.0% | 120.4 |
| EBITA margin | % | 6.1 | 6.7 | - | 6.8 | 7.6 | - | 6.4 |
| Employees (as of end of period; without apprentices) | - | 6,677 | 6,128 | +9.0% | 6,677 | 6,128 | +9.0% | 6,208 |

| SEPARATION | Unit | Q1-Q3 2012 | Q1-Q3 2011* | +/- | Q3 2012 | Q3 2011* | +/- | 2011* |
|---|---|---|---|---|---|---|---|---|
| Order intake | MEUR | 365.9 | 352.0 | +3.9% | 106.5 | 115.0 | -7.4% | 438.8 |
| Order backlog (as of end of period) | MEUR | 320.4 | 287.4 | +11.5% | 320.4 | 287.4 | +11.5% | 250.8 |
| Sales | MEUR | 304.7 | 296.4 | +2.8% | 104.2 | 117.3 | -11.2% | 419.9 |
| EBITDA | MEUR | 20.7 | 29.2 | -29.1% | 7.2 | 13.7 | -47.4% | 42.7 |
| EBITDA margin | % | 6.8 | 9.9 | - | 6.9 | 11.7 | - | 10.2 |
| EBITA | MEUR | 17.3 | 24.9 | -30.5% | 6.0 | 12.3 | -51.2% | 36.7 |
| EBITA margin | % | 5.7 | 8.4 | - | 5.8 | 10.5 | - | 8.7 |
| Employees (as of end of period; without apprentices) | - | 1,748 | 1,714 | +2.0% | 1,748 | 1,714 | +2.0% | 1,752 |

| METALS | Unit | Q1-Q3 2012 | Q1-Q3 2011 | +/- | Q3 2012 | Q3 2011 | +/- | 2011 |
|---|---|---|---|---|---|---|---|---|
| Order intake | MEUR | 270.8 | 253.8 | +6.7% | 159.5 | 70.7 | +125.6% | 318.6 |
| Order backlog (as of end of period) | MEUR | 512.3 | 510.2 | +0.4% | 512.3 | 510.2 | +0.4% | 465.1 |
| Sales | MEUR | 294.4 | 263.4 | +11.8% | 117.7 | 101.3 | +16.2% | 372.7 |
| EBITDA | MEUR | 19.3 | 12.9 | +49.6% | 8.7 | 5.9 | +47.5% | 21.5 |
| EBITDA margin | % | 6.6 | 4.9 | - | 7.4 | 5.8 | - | 5.8 |
| EBITA | MEUR | 17.6 | 11.3 | +55.8% | 8.0 | 5.3 | +50.9% | 19.4 |
| EBITA margin | % | 6.0 | 4.3 | - | 6.8 | 5.2 | - | 5.2 |
| Employees (as of end of period; without apprentices) | - | 1,146 | 952 | +20.4% | 1,146 | 952 | +20.4% | 945 |

| FEED & BIOFUEL | Unit | Q1-Q3 2012 | Q1-Q3 2011 | +/- | Q3 2012 | Q3 2011 | +/- | 2011 |
|---|---|---|---|---|---|---|---|---|
| Order intake | MEUR | 128.6 | 107.9 | +19.2% | 39.3 | 34.3 | +14.6% | 159.2 |
| Order backlog (as of end of period) | MEUR | 63.8 | 51.0 | +25.1% | 63.8 | 51.0 | +25.1% | 65.8 |
| Sales | MEUR | 133.8 | 107.5 | +24.5% | 43.9 | 36.9 | +19.0% | 145.6 |
| EBITDA | MEUR | 10.4 | 8.2 | +26.8% | 3.0 | 3.1 | -3.2% | 9.6 |
| EBITDA margin | % | 7.8 | 7.6 | - | 6.8 | 8.4 | - | 6.6 |
| EBITA | MEUR | 8.8 | 6.2 | +41.9% | 2.5 | 2.0 | +25.0% | 7.3 |
| EBITA margin | % | 6.6 | 5.8 | - | 5.7 | 5.4 | - | 5.0 |
| Employees (as of end of period; without apprentices) | - | 581 | 555 | +4.7% | 581 | 555 | +4.7% | 560 |

* At the beginning of 2012, there was a minor shift of some products from the SEPARATION business area to the PULP & PAPER business area. Comparison figures for 2011 have been adjusted accordingly in both business areas.

# MANAGEMENT REPORT

## GENERAL ECONOMIC CONDITIONS

In the third quarter of 2012, the world's large economic regions remained weak and were impacted by the economic slowdown. In the Euro zone, the moderate economic development of previous quarters also continued during the reporting period, although developments differed considerably from one region to another. While the economy continued to decline in Southern Europe and individual countries moved further into recession, growth rates in the national economies of Central and Northern Europe stagnated or saw a slight rise. Although the announcement by the European Central Bank to purchase an unlimited amount of bonds in order to stabilize or decrease the interest rate in suffering Euro countries resulted in a brief improvement, these countries continue to face high unemployment and low domestic consumption.

Economic activity also stagnated at a low level in the USA during the reporting period. The producer index for the manufacturing industry was below the expansion threshold of 50 points in August for the third month in succession, thus reaching its lowest level since the second quarter of 2009. This indicates a distinct contraction in the manufacturing industry. Domestic consumption continues to stagnate, especially because the so-called "fiscal cliff" threatening at the beginning of 2013 is contributing to uncertainty on the part of consumers and manufacturers. As a result, there is also no reason to expect a sustained recovery in the US economy in the coming months. The US Federal Reserve announced that it will buy a monthly volume of 40 billion USD in mortgage-backed securities and maintain the low interest rates at least until mid-2015.

The emerging markets also showed no signs of economic recovery. A further economic slowdown was evident both in Asia and in South America in the third quarter of 2012. Economic growth in China continued to decelerate – the main reasons being weak domestic consumption combined with low exports to the USA and Europe.

## BUSINESS DEVELOPMENT

***Note***

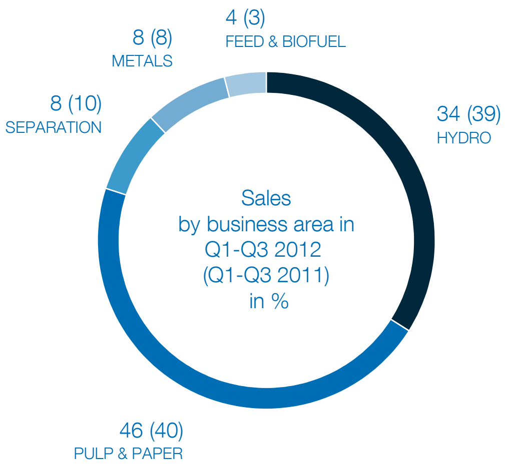
*Beginning of 2012, there was a minor product shift from the SEPARATION to the PULP & PAPER business area. Comparison figures for 2011 have been adjusted accordingly in both business areas.*

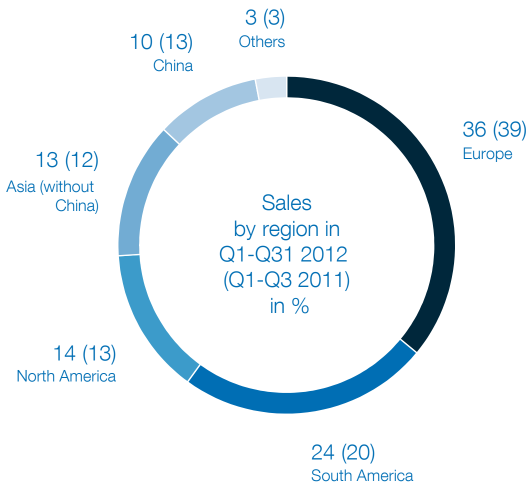
### Sales

In the third quarter of 2012, sales of the ANDRITZ GROUP amounted to 1,265.5 MEUR, which is an increase of 7.9% compared to last year's reference figure (Q3 2011: 1,173.1 MEUR). With the exception of the SEPARATION business area, all business areas noted increases in sales:

- HYDRO: 438.7 MEUR (+5.0% vs. Q3 2011)
- PULP & PAPER: 561.1 MEUR (+12.3% vs. Q3 2011)
- SEPARATION: 104.2 MEUR (-11.2% vs. Q3 2011)
- METALS: 117.7 MEUR (+16.2% vs. Q3 2011)
- FEED & BIOFUEL: 43.9 MEUR (+19.0% vs. Q3 2011)

In the first three quarters of 2012, sales of the Group, at 3,703.3 MEUR, rose by 16.3% compared to the previous year's reference period (Q1-Q3 2011: 3,184.2 MEUR). Sales increased in all business areas, most of all in PULP & PAPER.



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

| | Q1-Q3 2012 | Q1-Q3 2011 | Q3 2012 | Q3 2011 |
|---|---|---|---|---|
| ANDRITZ-GROUP | 26 | 28 | 26 | 27 |
| HYDRO | 24 | 24 | 26 | 27 |
| PULP & PAPER | 27 | 31 | 28 | 29 |
| SEPARATION | 32 | 34 | 32 | 31 |
| METALS | 6 | 9 | 6 | 10 |
| FEED & BIOFUEL | 47 | 51 | 49 | 49 |

### Order intake

The order intake for the ANDRITZ GROUP saw a very satisfactory development in the third quarter of 2012. At 1,238.8 MEUR, it was only slightly below the high level of last year's reference period (Q3 2011: 1,254.1 MEUR), which included a large order in the amount of approximately 330 MEUR in the HYDRO business area.

Thus, the order intake of the HYDRO business area, at 391.4 MEUR, was below the extraordinarily high reference figure for the previous year (Q3 2011: 715.6 MEUR), but achieved a satisfactory level overall.

The order intake in the PULP & PAPER business area amounted to 542.1 MEUR and thus rose substantially compared to the third quarter of 2011 (+70.3% vs. Q3 2011: 318.4 MEUR). All divisions achieved favorable development in order intake and were able to secure a number of small- to medium-scale orders for modernization and rebuilds of existing pulp and paper mills.

The SEPARATION business area achieved an order intake of 106.5 MEUR, which is a decline of 7.4% compared to the previous year's reference period (Q3 2011: 115.0 MEUR).

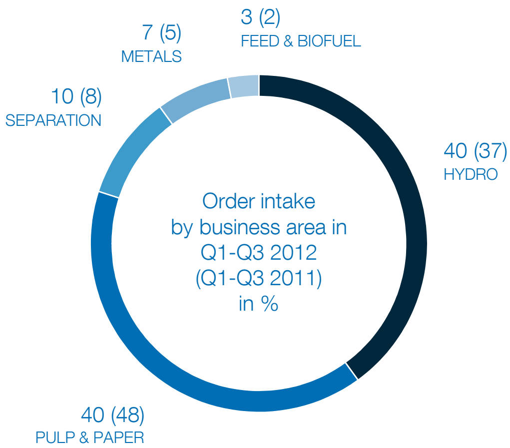
In spite of the continuing difficult environment in the international steel/stainless steel market, order intake in the METALS business area was very favorable. At 159.5 MEUR, the order intake more than doubled compared to the low level in the third quarter of last year (Q3 2011: 70.7 MEUR). The main reason for this was a large order received by ThyssenKrupp Nirosta, Germany, which came into force during the third quarter of 2012.

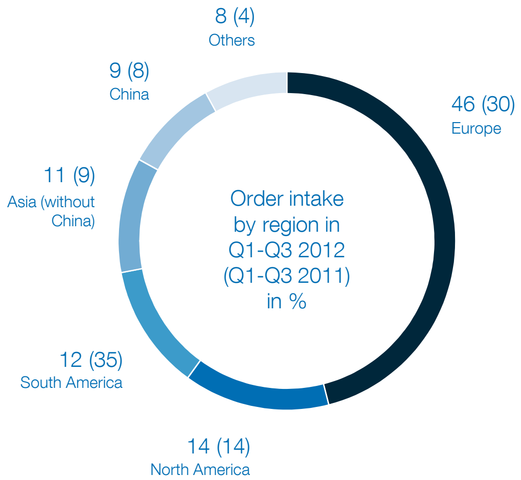
Development in the FEED & BIOFUEL business area was also positive. At 39.3 MEUR, order intake rose by 14.6% compared to the previous year (Q3 2011: 34.3 MEUR).

In the first three quarters of 2012, order intake of the Group amounted to 3,793.2 MEUR and was thus 22.6% below the extraordinarily high level of the previous year's reference period (Q1-Q3 2011: 4,898.6 MEUR), which also included two large orders in the PULP & PAPER business area amounting to around 1,100 MEUR in addition to the large order mentioned above in the HYDRO business area (330 MEUR).

Due to these large orders, the order intake decreased in the HYDRO and PULP & PAPER business areas compared to the previous year's reference period. In contrast, the METALS and FEED & BIOFUEL business areas were able to increase their order intake, while order intake in the SEPARATION business area remained virtually unchanged.

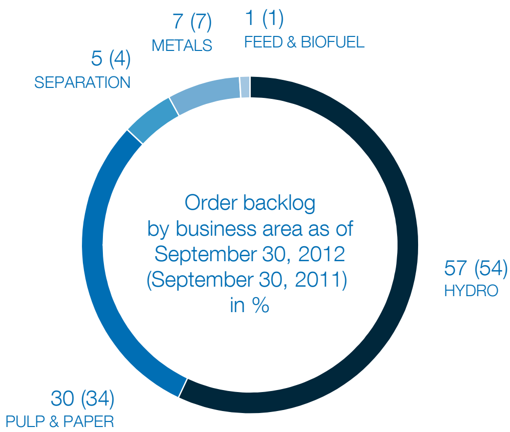
| | Q1-Q3 2012 (MEUR) | Q1-Q3 2011 (MEUR) | +/- (in %) |
|---|---|---|---|
| HYDRO | 1,504.6 | 1,812.7 | -17.0 |
| PULP & PAPER | 1,523.3 | 2,372.1 | -35.8 |
| SEPARATION | 365.9 | 352.0 | +3.9 |
| METALS | 270.8 | 253.8 | +6.7 |
| FEED & BIOFUEL | 128.6 | 107.9 | +19.2 |

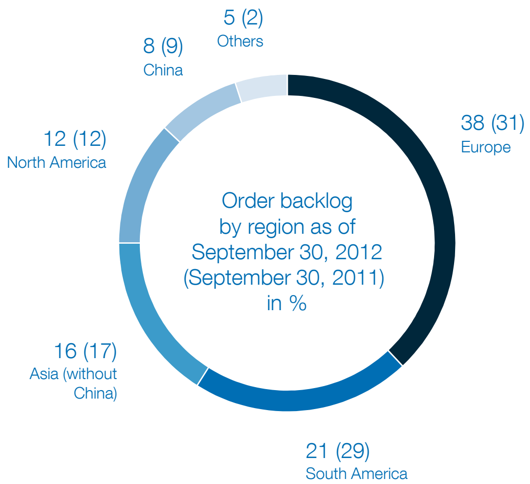



**Order backlog**

The order backlog of the Group as of September 30, 2012 amounted to 6,929.8 MEUR and was thus lower than the reference figure as of September 30, 2011 (7,325.0 MEUR: -5.4%), and higher than the reference figure as of December 31, 2011 (6,683.1 MEUR: +3.7%).




**Earnings**

EBITA of the ANDRITZ GROUP amounted to 86.5 MEUR in the third quarter of 2012 and thus almost reached the previous year's reference figure (-3.7% vs. Q3 2011: 89.8 MEUR). The EBITA margin declined to 6.8% (Q3 2011: 7.7%). This decline is mainly attributable to the PULP & PAPER business area (execution of large orders) and the SEPARATION business area (cost overruns at some projects and investments in the expansion of business activities in the emerging markets).

The EBITA of the Group in the first three quarters of 2012, at 242.1 MEUR, increased by 9.3% compared to the reference period of the previous year (Q1-Q3 2011: 221.4 MEUR). The EBITA margin amounted to 6.5% (Q1-Q3 2011: 7.0%).

The financial result of the ANDRITZ GROUP amounted to 7.0 MEUR in the first three quarters of 2012 (Q1-Q3 2011: 7.2 MEUR).

Net income of the Group (excluding non-controlling interests) increased to 167.2 MEUR during the first three quarters of 2012 (+11.1% vs. Q1-Q3 2011: 150.5 MEUR).

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

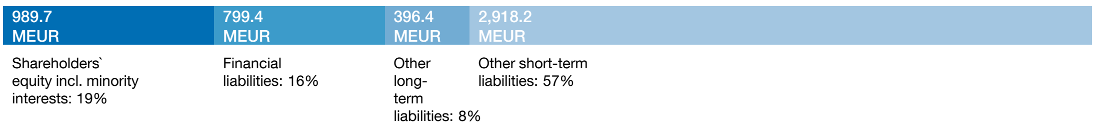
The total assets of the ANDRITZ GROUP as of September 30, 2012 increased to 5,103.7 MEUR (December 31, 2011: 4,566.6 MEUR). This increase is attributable primarily to the successful issue of a corporate bond with a volume of 350 MEUR (maturity: seven years) in July 2012. This bond replaces the 2006-2013 corporate bond with a volume of 200 MEUR, which will mature in June 2013. As a result, the equity ratio declined to 19.4% (December 31, 2011: 20.6%).

Liquid funds (cash and cash equivalents plus marketable securities plus loans against borrowers' notes) amounted to 2,059.3 MEUR as of September 30, 2012 (December 31, 2011: 1,814.5 MEUR). The net liquidity (liquid funds plus fair value of interest rate swaps minus financial liabilities) amounted to 1,286.4 MEUR (December 31, 2011: 1,400.6 MEUR).

In addition to the high net liquidity, the ANDRITZ GROUP also has the following credit and surety lines for performance of contracts, down payments, guarantees, and so on, at its disposal:
- Credit lines: 185 MEUR, thereof 72 MEUR utilized
- Surety and guarantee lines: 5,089 MEUR, thereof 2,738 MEUR utilized

Assets


Shareholders´ equity and liabilities




## Employees

The ANDRITZ GROUP had 17,686 employees as of September 30, 2012. The increase of 5.6% compared to the reference figure as of December 31, 2011 (16,750 employees) is mainly due to the first-time consolidation of newly acquired companies.


## Acquisition

In May 2012, ANDRITZ signed an agreement with Schuler-Beteiligungen GmbH to acquire its entire 38.5% stake in Schuler AG, a company listed on the German Stock Exchange and based in Göppingen; the purchase price per share is 20.00 EUR in cash. In June, ANDRITZ acquired a further stake in Schuler AG shares amounting to just under 25%. On July 2, 2012, ANDRITZ published a voluntary public takeover offer for the remaining shareholders in accordance with Section 10, para. 1, in conjunction with Sections 29 and 34, of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG) to acquire the remaining shares, also offering the remaining Schuler AG shareholders 20.00 EUR per share in cash. ANDRITZ was tendered 25.75% of the remaining shares under this takeover offer. On September 30, 2012, ANDRITZ thus had access to 89.24% of the shares in Schuler. Closing of the acquisition of Schuler Beteiligungen GmbH's shares, as well as the takeover offer, are contingent upon approval by the appropriate anti-trust authorities.

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

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

The essential risks for the business development of the ANDRITZ GROUP relate above all to the Group's dependence on the general economic environment and the development of the industries it serves, to whether major orders are received and to the risks they entail; and to whether adequate sales proceeds are realized from the high order backlog. In addition, unexpected increases in costs, delays, 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. The financial difficulties and the continuing challenging overall economic development (particularly in Europe and the USA) also constitute a serious risk for the ANDRITZ GROUP's financial development. In addition, a possible stronger 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. Cancellations of existing contracts could adversely affect the ANDRITZ GROUP's order backlog, which would in turn have a negative impact on the 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.

For the majority of orders, the risk of payment failure by customers is mitigated by means of bank guarantees and export insurance, but individual payment failures can have a substantial negative impact on earnings development of the Group. Risks related to deliveries to countries with medium to high political risks typically are also insured to a large extent. Exchange rate risks in connection with the execution of the order backlog are minimized and controlled by derivative financial instruments, in particular by forward exchange contracts and swaps. Net currency exposure of orders in foreign currencies (mainly US dollars and Swiss francs) is hedged by forward contracts. Cash flow risks are monitored via monthly cash flow reports.

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

The ANDRITZ GROUP's position in terms of liquidity is very good; the Group has high liquidity reserves and secured access to liquidity. 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 (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 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.

For further information on the risks for the ANDRITZ GROUP, see the ANDRITZ annual financial report 2011.

### Impact of exchange rate fluctuations

Fluctuations in exchange rates in connection with the execution of the order backlog are largely hedged by forward rate contracts. In new projects, fluctuations in exchange rate may have a positive or a negative impact on the ANDRITZ GROUP's competitive position.

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

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

### Important events after September 30, 2012

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 continue to be the economic weakness as well as the sovereign debt crises in Europe and the USA.

In October 2012, ANDRITZ acquired Allied Environmental Solutions, Inc. (AES), with headquarters in Columbia, Maryland, USA. The company has around 40 employees and generates annual sales of approximately 30 MEUR. In the USA, AES – now ANDRITZ Environmental Solutions – is a leading supplier of air quality control systems for utilities and various power generating industries (e.g. fossil-fired power stations). With this acquisition, ANDRITZ Energy & Environment (AE&E) – a part of the PULP & PAPER business area – is strengthening its flue gas cleaning portfolio and has entered the US market.

Also in October 2012, ANDRITZ acquired Royal GMF-Gouda (Goudsche Machinefabriek) with headquarters in Waddinxveen, Netherlands, including its operations in Germany, France, China, Singapore, Indonesia, and the USA. The company has around 140 employees in total and generates annual sales of approximately 40 MEUR. Royal GMF-Gouda is one of the leading manufacturers of drying solutions, mainly drum dryers and paddle dryers for the food industry (e.g. baby food), the chemical industry, and the municipal sector of the environmental industry. The company complements and extends the range of products and services of the ANDRITZ SEPARATION business area in the drying sector.

## OUTLOOK

Leading economic experts do not expect any substantial change in economic development in the most important regions of the world during the coming months. In Europe, economic activity is expected to remain low as a result of the latent Euro crisis and the related impact on the real economy. A crucial economic recovery is not expected in the USA either. In the emerging markets of South America and Asia, economic experts expect the economic slowdown to continue.

Although there is perceptible caution in investment activity in the industries served by ANDRITZ due to the very difficult overall economic environment, project activity is satisfactory in each of the ANDRITZ business areas (except METALS, where there are still no signs of recovery of current moderate project and investment activity). All in all, however, the visibility of upcoming projects and the award of orders has shortened significantly, particularly for large-scale investments.

On the basis of these expectations and given the very high order backlog of just under 7 billion EUR as of September 30, 2012, the ANDRITZ GROUP expects an increase in sales to approximately 5 billion EUR in 2012. The net income is also expected to rise compared to last year. If, however, the global economy continues to suffer more severe setbacks in the coming months, this could have a negative impact on the sales and earnings developments of the ANDRITZ GROUP, making it impossible to achieve the targets set.

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

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

Graz, November 6, 2012

The Executive Board of ANDRITZ AG

| | | | | |
|---|---|---|---|---|
| Wolfgang Leitner | Karl Hornhofer | Humbert Köfler | Friedrich Papst | Wolfgang Semper |
| President and CEO | PULP & PAPER (Capital Systems) | PULP & PAPER (Service & Units), SEPARATION | METALS, FEED & BIOFUEL, HYDRO (Pumps) | HYDRO |

# HYDRO

## MARKET DEVELOPMENT

The good project activity for electromechanical equipment in hydropower plants continued during the reporting period. Projects for the modernization and rehabilitation of existing hydropower stations focused on Europe and the USA, where existing hydropower plants are relatively old. Project activity for new plants was high, particularly in South America and Asia, and driven by the economic growth in these markets and their efforts to reduce dependence on fossil fuels. Investment activity in small hydropower plants remained high worldwide.

Solid project activity, mainly in India and the Middle East, was noted for pumps to irrigate agricultural land, transport drinking water, and for the use in energy utility companies.

## IMPORTANT EVENTS

Energji Ashta and its owners, the Austrian utilities VERBUND and EVN, successfully commissioned the Ashta hydropower station (consisting of Ashta 1 and Ashta 2), which is the largest Matrix hydropower plant worldwide. ANDRITZ HYDRO supplied the entire electromechanical equipment, including 90 Hydromatrix units. The Hydromatrix technology developed by ANDRITZ HYDRO is an innovative and low-cost concept consisting of a matrix of pre-assembled modules for small turbine/generator units that can be combined flexibly for different power plant arrangements. Ashta has a total output of 53 MW and will supply 240 million kWh of electrical energy a year for 100,000 Albanian households.

The Gössendorf hydropower plant in Austria was also started up successfully. The two 10 MW bulb turbines and 13 MVA generators supplied by the business area have an annual electrical energy output of 90 million kWh, supplying a total of 23,000 households. ANDRITZ HYDRO also delivered the entire control equipment including automation, protection, and connection to the control center.

In Indonesia, modernization work was completed on the Larona hydropower station. The order comprised the delivery of two generators, including an output increase from 65 to 85 MVA, replacement of the runners, refurbishing of the excitation and protection systems, as well as complete installation and start-up of the turbine/generator units.

ANDRITZ HYDRO Hammerfest, one of the world market leaders in technologies to generate energy from tidal currents occurring in coastal waters, was awarded the “International Pioneer Award” for outstanding achievements in developing marine energy at the “Energy Ocean International Conference & Exhibition” in Boston, USA. ANDRITZ HYDRO Hammerfest successfully installed its self-developed HS1000 tidal current turbine with a capacity of 1 MW in the waters of the European Marine Energy Centre in Scotland. Extensive trials are currently underway.

## IMPORTANT ORDERS

Three modernization orders were awarded to ANDRITZ HYDRO in the USA: 12 motor generators each with an output of 38 MVA will be refurbished for the New York Power Authority at Lewiston hydropower station, New York State. The 133 MW Francis runner at Hoover hydropower station, Arizona, will be upgraded on behalf of the Bureau of Reclamation. Brookfield Renewable Power ordered the refurbishment of the 107 MW generator at Wells hydropower plant, Washington.

ANDRITZ HYDRO received an order from Vinh Son – Song Hinh Hydropower JSC for the supply and commissioning of the electromechanical equipment for Thuong Kon Tum hydropower station, Vietnam, comprising two Pelton turbines (110 MW each), two generators (167 MVA each), and the electrical equipment, including automation.

Minicivil S.A., Colombia, awarded the business area a contract to supply and install the electromechanical equipment for the Carlos Lleras hydropower plant. The order includes two 40 MW Francis turbines and two 42 MVA generators.

Four Pelton turbines (18 MW each) and two generators (42 MVA each) will be supplied under an order placed by Instituto Costaricense de Electricidad (ICE) for the Rio Macho hydropower station, Costa Rica.

The Electricity Supply Board (ESB) ordered refurbishment of the Cliff and Ardnacrusha hydroelectric power plants, Ireland, including the modernization of two 10 MW Kaplan turbines, a 22 MW Francis turbine, and the generators.

Five Francis turbines (15 MW each), the penstock, and weirs will be refurbished for the Ramu 1 hydropower station on behalf of PNG Power Ltd, Papua New Guinea.

In Sweden, ANDRITZ HYDRO received two modernization orders: Two 67 MW Kaplan turbines at Kvistforsen hydroelectric power plant will be refurbished for Statkraft Sverige AB and two 30 MW Kaplan turbines at Degerforsen 1 for E.ON Vattenkraft Sverige AB.

Hydro Quebec placed an order for refurbishment of the generator excitation systems at La Tuque hydropower station, Canada.

In the small-scale hydropower sector, ANDRITZ HYDRO received numerous important orders from all over the world during the reporting period and could thus confirm its leading market position for this product range.

In the pumps sector, ANDRITZ Ritz booked two important orders: Three submersible motor pumps for emergency equipment to drain mine galleries will be supplied to a mining company in China – the pumps are the most powerful submersible motor pumps in the world. Another 25 submersible motor pumps were ordered for the drinking water supply to Riyadh, Saudi Arabia.

# PULP & PAPER

## MARKET DEVELOPMENT

The international pulp market was impacted by low demand from the printing and writing paper industry in the reporting period. As a result of the weak economy worldwide, order activity in these industries was very subdued or declined slightly and this could not be fully compensated by the relatively stable demand from tissue producers. The seasonal shutdowns by some paper mills in Europe also contributed to the weak demand for long-fiber pulp. This is why the price for NBSK (Northern Bleached Softwood Kraft Pulp) fell from around 850 USD per ton at the beginning of July 2012 to approximately 765 USD per ton at the end of September 2012. The market for short-fiber pulp saw more stable development because the surplus in supply was not as high. The price for eucalyptus pulp only dropped slightly in the same period from around 780 USD at the beginning of July 2012 to around 750 USD at the end of September 2012.

The market for pulp mill equipment developed satisfactorily in spite of the unfavorable general economic conditions. Good project activity was noted particularly for smaller and medium-sized modernization projects.

## IMPORTANT EVENTS

The upgrade of pulp fiberline systems at UPM's Kymi Mill, Finland, was completed successfully. The systems included a new DD washer (Drum Displacer) and oxygen delignification equipment.

For Phoenix Pulp and Paper Public Co., Ltd, Thailand, a complete debarking and chipping line was started up.

Three EPC deliveries of ANDRITZ bubbling fluidized bed biomass boilers were started up: Kyröskosken Voima Oy, Finland; E.ON Värme Sverige AB, Sweden; and Grupo Empresial ENCE S.A., Spain.

Metsä Fibre's Joutseno mill, Finland, started up a biomass gasification plant including biomass dryer and gasifier. The product gas from the plant is being used to replace fossil fuels in the mill's lime kiln.

For the Hengan Group's Jinjiang mill, China, ANDRITZ started up two tissue machines with steel yankees. The delivery also included the complete stock preparation plant and automation system. Hengan now has nine ANDRITZ tissue machines in operation, two of which currently have the world's largest steel yankees for tissue applications.

## IMPORTANT ORDERS

China CAMC Engineering Hong Kong Co., Ltd. ordered woodyard systems, fiberline equipment, a white liquor plant, a 4.2 m wide pulp drying plant, chemical recovery boiler, and an evaporation plant for a mill in Svetlogorsk, Belarus.

Oji Paper, Japan, selected ANDRITZ to convert an existing digester for the production of dissolving pulp at the Yonago mill. The delivery also includes a 2.4 m wide drying line.

On behalf of Zauner Anlagenbau GmbH, ANDRITZ will supply two hot-water boiler plants for the new Arsenal combined heat and power plant operated by Fernwärme Wien, Austria. The hot-water boilers have a thermal output of 170 MWth each and will be used to meet district heating peak loads and as standby units for the Simmering power plant.

C&S Paper Yunfu, China, ordered two tissue machines. The ANDRITZ delivery will include a stock preparation plant, automation system, machine drives, and steel yankees which will be the largest in the world for tissue applications.

Hebei Yihoucheng, China, ordered a tissue machine with steel yankee. The scope of supply also includes a complete stock preparation plant, automation system, and machine drives.

Ningbo Asia Pulp & Paper Co. Ltd., China, ordered two lines for processing recycled mixed office waste (capacities of 600 t/d and 300 t/d) for a new board machine.

Also in China, Fujian Liansheng Paper Longhai Co., Ltd., ordered a 350 t/d mixed office waste processing line and a 250 t/d line for processing old newspapers. In addition, the company selected ANDRITZ technology for the paper machine approach and sludge handling.

In Italy, A. Merati & C. Cartiera di Laveno S.p.A. ordered a hybrid former and rebuild of the wire section for its paper machine.

The Electricity Authority of Cyprus (EAC) ordered a rebuild of its burner and electrostatic precipitator systems for two units at its Vasilikos power station. The order comprises engineering, fabrication, erection, and commissioning.

For the panelboard industry, Kastamonu Integrated Wood Industry, Russia, ordered a wood processing and pressurized refining system with a design capacity of 1,440 t/d for a greenfield plant. This will be the largest pressurized refining system for panelboard production installed in Russia.

In the nonwovens sector, Orotex Carpet, Belgium, ordered a new production line; and Reifenhäuser Germany and South Africa ordered calendering systems.

After the successful start-up of the worldwide largest and fastest MESIM (Mechanical Simultaneous Stretching System) film stretching line for a customer in Europe, ANDRITZ Biax received the order to supply another MESIM line to China. Zhejiang Nanyang Technology Co., Ltd. ordered a 5.1 m wide line for the production of various PET films in a thickness range from 3-75 µm.

# SEPARATION

## MARKET DEVELOPMENT

Project activity for solid/liquid separation plants and machinery for municipal and industrial applications saw satisfactory development during the reporting period.

In the environment sector, solid project activity was noted. Investments in municipal waste water treatment were concentrated on Asia and the Middle East, while considerable demand for industrial waste water treatment was noted primarily in South America and China.

Project activity in the mining and minerals sector, as well as the food and chemical industries, was solid.

## IMPORTANT ORDERS

The business area booked numerous important orders in the municipal and industrial waste water treatment sectors. Energy-efficient centrifuges and belt dryers will be supplied for the city of Cape Girardeau, Missouri, USA. Leixlip, Ireland, ordered a fully automatic filter press. Various customers in Western Europe ordered high-performance centrifuges for biogas plants.

For a company operating in the potash industry in Chile, ANDRITZ SEPARATION will supply two vacuum disc filters (disc area: 126 $m^2$).

A customer in Belarus placed an order to deliver a screw centrifuge with sieve to be used in potash production.

The business area will supply four membrane filter presses for a company in the copper industry in Peru.

Orders for the supply of separators to the food industry include an important order from Germany in the milk processing sector and an order from a customer in Russia who produces soups.

A drying plant for lysine will be delivered to one of Russia's largest poultry suppliers.

Customers in Turkey and Pakistan ordered centrifuges for the production of starch.

A drying plant for plastic additives is to be supplied to a company in the chemical industry in Asia.

In the chemical industry, ANDRITZ SEPARATION is supplying drying plants for PVC, decanter and peeler centrifuges, and filter presses for various applications in the petrochemical and agrochemical industries to customers in China and the USA.

# METALS

## MARKET DEVELOPMENT

Due to continuing overcapacities in the steel/stainless steel industry and uncertainties about the future development of the world economy, project activity for plants and equipment for the production and processing of stainless steel, carbon steel, and nonferrous metal remained low during the reporting period. Only very few larger investments were made worldwide. The majority of projects concerned minor upgrades or refurbishments.

## IMPORTANT EVENTS

An annealing and pickling line for the production of stainless steel strip was started up and commissioned successfully at Bahru Steel, Malaysia. The plant has an annual capacity of 240,000 t and has been equipped with two decoiler groups, a scale breaker, three blasting machines, a skin pass mill, and an acid regeneration and neutralization plant.

At Baoji Titanium Industry Co., Ltd., China's largest producer of titanium, start-up and commissioning of a continuous pickling line for hot and cold rolled titanium strip (capacity: 20,000 t/a) and a 20-roll cold rolling mill for titanium and stainless steel strip was completed successfully. The titanium and stainless steel strips are used in the automobile and aerospace industries.

In the industrial furnace sector, the business area noted numerous important start-ups, e.g. at Buderus Edelstahl Schmiedetechnik, Karl Diederichs Dirostahl, and Stahl- und Hammerwerk August Jansen, Germany; Böhler Edelstahl, Austria; and Uddeholm Tooling, Sweden.

## IMPORTANT ORDERS

The large order for ThyssenKrupp Nirosta, Germany, came into force in the third quarter of 2012. ANDRITZ delivers an annealing and pickling line, as well as a rolling mill, to produce stainless steel strip with a width of up to 1,600 mm for the plant in Krefeld. As from 2014, the plant will process up to 400,000 t of hot-rolled strip and 290,000 t of cold-rolled strip annually.

Taiyuan Iron and Steel Company (TISCO), China, placed an order for the supply of a mixed acid regeneration plant. With this plant, based on the Pyromars technology developed by ANDRITZ METALS, the acids produced in the stainless steel pickling plant are treated and valuable products such as nickel and hydrofluoric acid are recovered. TISCO already operates four ANDRITZ mixed acid regeneration plants successfully.

The business area was awarded an order by Vallourec & Mannesmann Tubes – one of the leading suppliers worldwide of seamless hot-rolled steel tubes – for the supply, installation, start-up, and commissioning of a new walking beam furnace for the heat-treatment of tubes at the Tuberie de Déville plant in France. The particularly energy-efficient angle burner used in this plant was specially developed by ANDRITZ for heat-treatment furnaces to optimize the furnace profiles and to achieve the best possible heating curve and uniformity of temperature. The newly developed burners easily meet the stringent EU emission limits.

Two anode furnaces and four Peirce-Smith converters will be supplied to Kansanshi Mining Plc, Zambia. The scope of supply includes combustion and refining systems, slag settling tanks, drives and control systems, and steel structures. With the furnaces and converters, more than 300,000 t of anode copper can be produced annually from copper matte.

ANDRITZ will supply a new twin-chamber tempering plant comprising a fully automatic heat treatment plant for long forged products, a charging system, and an automatically operated hardening device to the ThyssenKrupp VDM plant in Unna, Germany.

# FEED & BIOFUEL

## MARKET DEVELOPMENT

Project activity in the animal feed industry was at a high level during the reporting period, especially for mill expansion projects in Central and South America. The special feed area (aquatic feed and pet food) showed good project activity in Europe, China, and South America.

The market for pelleting equipment based on wood and other biomass resources continued its favorable investment activity, particularly in the USA, Europe, and South America.

## IMPORTANT EVENTS

The delivery of equipment for a greenfield aquatic feed extrusion plant in Central America was completed successfully.

## IMPORTANT ORDERS

In the animal feed area, the business area noted several important orders, e.g. the supply of process technologies for a poultry feed pelleting plant in South America with a capacity of 2 x 40 t/h and plant upgrades and new process lines from customers in Central and South America, Russia, and Asia.

Several orders for fish feed extrusion lines were secured in Asia and South America.

Wood and straw pelleting equipment will be delivered to customers in Europe and Asia. The orders include a wood pelleting plant extension based on the newly developed ANDRITZ BioMax high-capacity and energy-efficient biomass pellet press for a Scandinavian customer.

# Consolidated financial statements of the ANDRITZ GROUP

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## As of September 30, 2012 (condensed, unaudited)

| (in TEUR) | September 30, 2012 | December 31, 2011 |
|---|---|---|
| **ASSETS** | | |
| Intangible assets | 87,908 | 77,238 |
| Goodwill | 306,843 | 284,713 |
| Property, plant, and equipment | 472,060 | 433,369 |
| Shares in associated companies | 830 | 13,428 |
| Other investments | 317,956 | 235,890 |
| Non-current receivables and other non-current assets | 83,637 | 55,480 |
| Deferred tax assets | 99,526 | 107,180 |
| **Non-current assets** | **1,368,760** | **1,207,298** |
| Inventories | 438,833 | 411,743 |
| Advance payments made | 200,981 | 141,291 |
| Trade accounts receivable | 523,819 | 581,367 |
| Cost and earnings of projects under construction in excess of billings | 339,149 | 290,490 |
| Other current receivables | 407,383 | 319,366 |
| Marketable securities | 345,668 | 445,159 |
| Cash and cash equivalents | 1,479,093 | 1,169,888 |
| **Current assets** | **3,734,926** | **3,359,304** |
| **TOTAL ASSETS** | **5,103,686** | **4,566,602** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| Share capital | 104,000 | 104,000 |
| Capital reserves | 36,476 | 36,476 |
| Retained earnings | 807,250 | 756,193 |
| **Equity attributable to shareholders of the parent** | **947,726** | **896,669** |
| **Non-controlling interests** | **42,009** | **42,204** |
| **Total shareholders' equity** | **989,735** | **938,873** |
| Bonds – non-current | 521,142 | 357,706 |
| Bank loans and other financial liabilities – non-current | 18,142 | 11,422 |
| Obligations under finance leases – non-current | 16,831 | 7,696 |
| Provisions – non-current | 300,991 | 301,496 |
| Other liabilities – non-current | 9,946 | 14,135 |
| Deferred tax liabilities | 85,510 | 85,155 |
| **Non-current liabilities** | **952,562** | **777,610** |
| Bonds – current | 188,386 | 0 |
| Bank loans and other financial liabilities – current | 54,271 | 58,713 |
| Obligations under finance leases – current | 580 | 757 |
| Trade accounts payable | 423,946 | 438,596 |
| Billings in excess of cost and earnings of projects under construction | 1,124,442 | 1,068,292 |
| Advance payments received | 81,353 | 85,410 |
| Provisions – current | 387,084 | 365,809 |
| Liabilities for current taxes | 38,781 | 46,006 |
| Other liabilities – current | 862,546 | 786,536 |
| **Current liabilities** | **3,161,389** | **2,850,119** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **5,103,686** | **4,566,602** |

# CONSOLIDATED INCOME STATEMENT

## For the first three quarters of 2012 (condensed, unaudited)

| *(in TEUR)* | Q1-Q3 2012 | Q1-Q3 2011 | Q3 2012 | Q3 2011 |
|---|---|---|---|---|
| **Sales** | **3,703,335** | **3,184,225** | **1,265,499** | **1,173,094** |
| Changes in inventories of finished goods and work in progress | 25,443 | 24,366 | -13,578 | -6,483 |
| Capitalized cost of self-constructed assets | 1,026 | 487 | 793 | 271 |
| | **3,729,804** | **3,209,078** | **1,252,714** | **1,166,882** |
| Other operating income | 51,801 | 63,025 | 16,046 | 21,893 |
| Cost of materials | -2,202,833 | -1,881,482 | -735,960 | -705,029 |
| Personnel expenses | -830,968 | -732,772 | -277,344 | -247,738 |
| Other operating expenses | -461,695 | -396,505 | -154,051 | -131,708 |
| **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)** | **286,109** | **261,344** | **101,405** | **104,300** |
| Depreciation, amortization and impairment of intangible assets and property, plant and equipment | -62,065 | -53,414 | -20,499 | -19,491 |
| **Earnings Before Interest and Taxes (EBIT)** | **224,044** | **207,930** | **80,906** | **84,809** |
| Income/expense from associated companies | -997 | 1,332 | -222 | 512 |
| Interest result | 6,318 | 6,172 | -125 | 3,029 |
| Other financial result | 1,634 | -383 | 594 | -433 |
| **Financial result** | **6,955** | **7,121** | **247** | **3,108** |
| **Earnings Before Taxes (EBT)** | **230,999** | **215,051** | **81,153** | **87,917** |
| Income taxes | -64,801 | -63,262 | -22,464 | -25,829 |
| **NET INCOME** | **166,198** | **151,789** | **58,689** | **62,088** |
| Thereof attributable to: | | | | |
| Shareholders of the parent | 167,156 | 150,541 | 58,431 | 61,996 |
| Non-controlling interests | -958 | 1,248 | 258 | 92 |
| Weighted average number of no-par value shares | 103,236,656 | 102,540,924 | 103,260,229 | 103,001,220 |
| Earnings per no-par value share (in EUR) | 1.62 | 1.47 | 0.57 | 0.60 |
| Effect of potential dilution of share options | 795,866 | 1,114,993 | 888,954 | 784,952 |
| Weighted average number of no-par value shares and share options | 104,032,522 | 103,655,917 | 104,149,183 | 103,786,172 |
| Diluted earnings per no-par value share (in EUR) | 1.61 | 1.45 | 0.56 | 0.60 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## For the first three quarters of 2012 (condensed, unaudited)

| *(in TEUR)* | Q1-Q3 2012 | Q1-Q3 2011 | Q3 2012 | Q3 2011 |
|---|---|---|---|---|
| **Net income** | **166,198** | **151,789** | **58,689** | **62,088** |
| | | | | |
| Currency translation adjustments | -8 | -19,406 | -1,454 | -2,442 |
| Changes to IAS 39 reserve, net of tax | -10,975 | -2,419 | -12,505 | -704 |
| **Other comprehensive income for the year** | **-10,983** | **-21,825** | **-13,959** | **-3,146** |
| | | | | |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **155,215** | **129,964** | **44,730** | **58,942** |
| Thereof attributable to: | | | | |
| Shareholders of the parent | 158,060 | 131,798 | 44,791 | 61,538 |
| Non-controlling interests | -2,845 | -1,834 | -61 | -2,596 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the first three quarters of 2012 (condensed, unaudited)

| | Attributable to shareholders of the parent | | | | | | | Non-controlling interests | Total share holders' equity |
|---|---|---|---|---|---|---|---|---|---|
| *(in TEUR)* | Share capital | Capital reserves | Other retained earnings | IAS 39 reserve | Actuarial gains/ losses | Currency translation adjustments | Total | | |
| **STATUS AS OF JANUARY 1, 2011** | **104,000** | **36,476** | **613,575** | **1,648** | **-1,693** | **2,611** | **756,617** | **37,763** | **794,380** |
| Total comprehensive income for the year | | | 150,541 | -2,428 | | -16,315 | 131,798 | -1,834 | 129,964 |
| Dividends | | | -86,857 | | | | -86,857 | -3,063 | -89,920 |
| Changes in consolidation method | | | 979 | | | | 979 | | 979 |
| Capital increase | | | | | | | | 6,817 | 6,817 |
| Changes concerning own shares | | | 9,170 | | | | 9,170 | | 9,170 |
| Other changes | | | 1,904 | | | | 1,904 | | 1,904 |
| **STATUS AS OF SEPTEMBER 30, 2011** | **104,000** | **36,476** | **689,312** | **-780** | **-1,693** | **-13,704** | **813,611** | **39,683** | **853,294** |
| **STATUS AS OF JANUARY 1, 2012** | **104,000** | **36,476** | **774,104** | **189** | **-18,751** | **651** | **896,669** | **42,204** | **938,873** |
| Total comprehensive income for the year | | | 167,156 | -10,982 | | 1,886 | 158,060 | -2,845 | 155,215 |
| Dividends | | | -113,551 | | | | -113,551 | -3,936 | -117,487 |
| Changes from acquisitions | | | | | | | | 6,586 | 6,586 |
| Changes concerning own shares | | | 1,853 | | | | 1,853 | | 1,853 |
| Other changes | | | 4,695 | | | | 4,695 | | 4,695 |
| **STATUS AS OF SEPTEMBER 30, 2012** | **104,000** | **36,476** | **834,257** | **-10,793** | **-18,751** | **2,537** | **947,726** | **42,009** | **989,735** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

## For the first three quarters 2012 (condensed, unaudited)

| *(in TEUR)* | **Q1-Q3 2012** | **Q1-Q3 2011** |
|---|---|---|
| Cash flow from operating activities | 219,242 | 339,862 |
| Cash flow from investing activities | -153,304 | -235,438 |
| Cash flow from financing activities | 243,267 | -84,402 |
| **Change in cash and cash equivalents** | **309,205** | **20,022** |
| **Cash and cash equivalents at the beginning of the period** | **1,169,888** | **1,187,946** |
| **Cash and cash equivalents at the end of the period** | **1,479,093** | **1,207,968** |

# CASH FLOWS FROM ACQUISITIONS OF SUBSIDIARIES*

## Fort the first three quarters of 2012 (condensed, unaudited)

| | **Business area** | | | **Total** | **Total** |
|---|---|---|---|---|---|
| *(in TEUR)* | **HY[1)]** | **PP[2)]** | **ME[3)]** | **Q1-Q3 2012** | **Q1-Q3 2011** |
| Intangible assets | 12,639 | 18 | 17,890 | 30,547 | 25,160 |
| Property, plant, and equipment | 111 | 529 | 5,233 | 5,873 | 14,864 |
| Inventories | 0 | 1,829 | 5,047 | 6,876 | 9,199 |
| Trade and other receivables | 5,230 | 1,008 | 13,289 | 19,527 | 49,150 |
| Liabilities excluding financial liabilities | -7,466 | -1,702 | -27,576 | -36,744 | -53,894 |
| **Non-interest bearing net assets** | **10,514** | **1,682** | **13,883** | **26,079** | **44,479** |
| Cash and cash equivalents acquired | 4,262 | 1,396 | 5,366 | 11,024 | 6,956 |
| Fixed financial assets | 0 | 0 | 797 | 797 | 1,243 |
| Debt assumed | -9 | 0 | -11,353 | -11,362 | -19,929 |
| Goodwill | 5,651 | 0 | 13,596 | 19,247 | 20,697 |
| Non-controlling interests | -6,586 | 0 | 0 | -6,586 | 0 |
| **Total purchase price** | **13,832** | **3,078** | **22,289** | **39,199** | **53,446** |
| | | | | | |
| Purchase price paid | -4,025 | -3,078 | -20,019 | -27,122 | -50,821 |
| Cash and cash equivalents acquired | 4,262 | 1,396 | 5,366 | 11,024 | 6,956 |
| **NET CASH FLOW** | **237** | **-1,682** | **-14,653** | **-16,098** | **-43,865** |
| | | | | | |
| Liabilities from purchase price not paid | 0 | 0 | -2,272 | -2,272 | -2,625 |
| Fair value of investments held prior to acquisition | -9,807 | 0 | 0 | -9,807 | 0 |
| **PURCHASE PRICE NOT PAID IN CASH** | **-9,807** | **0** | **-2,272** | **-12,079** | **-2,625** |

* converted by using exchange rates as per dates of transaction
1) HY = HYDRO
2) PP = PULP & PAPER
3) ME = METALS

# NOTES

## Explanatory notes to the interim consolidated financial statements as of September 30, 2012

### General

The interim consolidated financial statements as of September 30, 2012 were prepared in accordance with the principles set forth in the International Financial Reporting Standards (IFRS) – guidelines for interim reporting (IAS 34) – which are to be applied in the European Union. The accounting and valuation methods as of December 31, 2011 have been maintained without any change. For additional information on the accounting and valuation principles, see the consolidated financial statements as of December 31, 2011, which form the basis for this interim consolidated financial report.

Beginning of 2012, there was a minor shift of some products from the SEPARATION business area to the PULP & PAPER business area. Comparison figures for 2011 have been adjusted accordingly in both business areas.

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

The interim consolidated financial statements as of September 30, 2012 were neither subject to a complete audit nor to an audit review by an auditor.

### Application of new standards

ANDRITZ applies the following new standards:

- Amendments to IAS 12: Deferred Tax - Recovery of Underlying Assets
- Amendments to IFRS 7: Financial Instruments, Disclosures - Transfer of Financial Assets

The amendments do not have a material impact on the interim consolidated financial statements.

### Acquisitions

The following companies were not, or only partially, included in the ANDRITZ GROUP's consolidated financial statements of the reference period January 1-September 30, 2011:

- Hemicycle Controls: automation systems for hydropower stations
- ANDRITZ Iggesund Group: chipping and debarking equipment for pulp and saw mills
- Assets of Tristar Industries: service and manufacturing center for the PULP & PAPER service area
- ANDRITZ Asselin-Thibeau France: systems for the production of dry nonwovens (especially for applications in the textile and hygiene sectors)
- ANDRITZ Asselin-Thibeau China: systems for the production of dry nonwovens (especially for applications in the textile and hygiene sectors)
- 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: Supplier of laser and rolled seam resistance welding system for the metalworking industry

The initial accounting for the companies/businesses acquired in 2011/2012 was based on preliminary figures.

In May 2012, ANDRITZ signed an agreement with Schuler-Beteiligungen GmbH to acquire its entire 38.5% stake in Schuler AG, a company listed on the German Stock Exchange and based in Göppingen; the purchase price per share is 20.00 EUR in cash. In June, ANDRITZ acquired a further stake in Schuler AG shares amounting to just under 25%. On July 2, 2012, ANDRITZ published a voluntary public takeover offer for the remaining shareholders in accordance with Section 10, para. 1, in conjunction with Sections 29 and 34, of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG) to acquire the remaining shares, also offering the remaining Schuler AG shareholders 20.00 EUR per share in cash. ANDRITZ was tendered 25.75% of the remaining shares under this takeover offer. On September 30, 2012, ANDRITZ thus had access to 89.24% of the shares in Schuler. Closing of the acquisition of Schuler Beteiligungen GmbH's shares, as well as the takeover offer, are contingent upon approval by the appropriate anti-trust authorities.

### Seasonality

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

### Notes to the interim consolidated income statement
In the third quarter of 2012, sales of the ANDRITZ GROUP amounted to 1,265.5 MEUR, which is an increase of 7.9% compared to last year's reference period (Q3 2011: 1,173.1 MEUR). The EBIT reached 80.9 MEUR (Q3 2011: 84.8 MEUR).

In the first third quaters of 2012, sales of the Group amounted to 3,703.3 MEUR, thus significantly exceeding the level of the previous year's reference period (Q1-Q3 2011: 3,184.2 MEUR). The EBIT amounted to 224.0 MEUR (Q1-Q3 2011: 207.9 MEUR).

### Notes to the consolidated statement of financial position
Total assets of the ANDRITZ GROUP as of September 30, 2012 increased to 5,103.7 MEUR, thus 537.1 MEUR higher than as of December 31, 2011 (4,566.6 MEUR). The net working capital as of September 30, 2012 amounted to -638.7 MEUR (December 31, 2011: -639.2 MEUR).

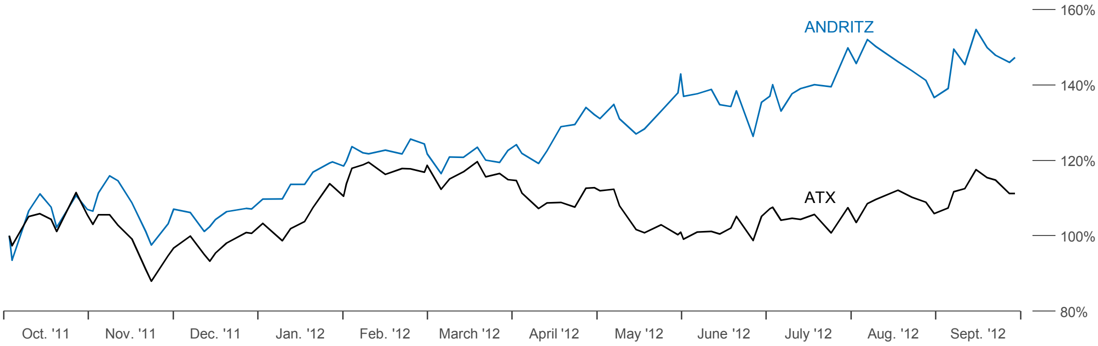
During the current business year, ANDRITZ AG paid dividends in the amount of 113.6 MEUR for the 2011 business year. No shares were bought back during the third quarter of 2012.

### Notes to the consolidated statement of cash flows
Cash flow from operating activities of the ANDRITZ GROUP amounted to 219.2 MEUR in the first three quarters of 2012 (Q1-Q3 2011: 339.9 MEUR). This decrease was mainly due to project related changes in the working capital.

Cash flow from investing activities during the first three quartes of 2012 amounted to -153.3 MEUR (Q1-Q3 2011: -235.4 MEUR) and resulted mainly from cash outflow for investing and payments received for divesting current and non-current financial assets in summary of 64.2 MEUR, payments made for the purchase of slightly less than 25% of shares of Schuler AG of -149,1 MEUR, acquisitions of -16.1 MEUR (Q1-Q3 2011: -43.9 MEUR) and investments in intangible assets and property, plant and equipment of -52.3 MEUR (Q1-Q3 2011: -41.7 MEUR).

# SHARE

**Relative price performance by the ANDRITZ share compared to the ATX (October 1, 2011-September 30, 2012)**




Source: Vienna Stock Exchange

## Share price development

During the third quarter of 2012, development on the international financial markets continued to be influenced by the prevailing Euro and national debt crises and the global economic slowdown. In a continuing volatile stock exchange environment, the ANDRITZ share price rose by 7.5% in the third quarter 2012 and by 34.2% in the first three quarters of 2012. Thus, the ANDRITZ share outperformed the ATX, the leading share index on the Vienna Stock Exchange, which rose by 3.8% in the third quarter of 2012 and by 7.7% in the first three quarters of 2012.

The highest closing price of the ANDRITZ share in the first three quarters of 2012 was 46.30 EUR (September 14, 2012), and the lowest was 32.83 EUR (January 2, 2012).

## Trading volume

The average daily trading volume of the ANDRITZ share (double count, as published by the Vienna Stock Exchange) was 386,423 shares in the first three quarters of 2012 (Q1-Q3 2011: 577,580 shares). The highest daily trading volume was noted on May 31, 2012 (8,004,302 shares), the lowest trading volume on July 18, 2012 (105,256 shares).

## Investor Relations

During the third quarter of 2012, meetings with institutional investors and financial analysts were held in Amsterdam, Frankfurt, London, Melbourne, Munich, New York, San Francisco, Singapore, Sydney, Tokyo, and Warsaw.

At this year's ANDRITZ Capital Market Days, held in October in Berlin, Germany, the Executive Board informed international analysts and fund managers on current developments and on the medium- to long-term goals of the ANDRITZ GROUP.

At the ARC (Annual Report Competition) awards in New York, the worldwide most prestigious and largest competition for annual reports, the ANDRITZ annual report 2011, which had five nominations in the manufacturing industry category, received five awards. At the Galaxy Awards, a marketing prize also awarded in New York, the annual report was awarded as the best annual report in Europe and the world's best in the manufacturing industry category.

Citi Research and Warburg Research initiated coverage of ANDRITZ during the report period. Thus, 15 international banks and investment houses are publishing reports on ANDRITZ on a regular basis.

## Key figures of the ANDRITZ share

| | Unit | Q1-Q3 2012 | Q1-Q3 2011 | Q3 2012 | Q3 2011 | 2011 |
|---|---|---|---|---|---|---|
| Highest closing price | EUR | 46.30 | 37.75 | 46.30 | 37.75 | 37.75 |
| Lowest closing price | EUR | 32.83 | 27.41 | 39.82 | 27.41 | 27.41 |
| Closing price (as of end of period) | EUR | 44.07 | 30.80 | 44.07 | 30.80 | 32.05 |
| Market capitalization (as of end of period) | MEUR | 4,583.3 | 3,203.2 | 4,583.3 | 3,203.2 | 3,333.2 |
| Performance | % | +34.2 | -11.2 | +7.5 | -14.7 | -7.6 |
| ATX weighting (as of end of period) | % | 11.4920 | 8.3607 | 11.4920 | 8.3607 | 9.2705 |
| Average daily number of shares traded | Share unit | 386,423 | 577,580 | 277,338 | 685,200 | 568,138 |

Source: Vienna Stock Exchange

## Basic data of the ANDRITZ share

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

## Financial calendar 2012 and 2013 (preliminary)

| | |
|---|---|
| March 1, 2013 | Results for the financial year 2012 |
| March 22, 2013 | Annual General Meeting in Graz, Austria |
| March 26, 2013 | Ex-dividend |
| March 28, 2013 | Dividend payment |
| May 6, 2013 | Results for the first quarter of 2013 |
| August 7, 2013 | Results for the first half of 2013 |
| November 6, 2013 | Results for the first three quarters of 2013 |

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

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All annual reports, annual financial reports, and quarterly reports of the ANDRITZ GROUP since the IPO in 2001 are available at: www.andritz.com/reports

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