



RESULTS FOR Q3 / Q1-Q3 2018

ANDRITZ GROUP

NOVEMBER 6, 2018

ANDRITZ

ENGINEERED SUCCESS

CHAPTER OVERVIEW



01 Q3 2018 AT A GLANCE

02 PERFORMANCE Q3 2018
AND MARKET UPDATE

03 UPDATE OF BUSINESS AREAS

04 OUTLOOK

Q3 2018 AT A GLANCE



Mixed business development by business area.

- **Satisfactory** development of **Group order intake**, reaching almost **EUR 1.5 billion**: favorable development of order intake in Pulp & Paper and Metals (Metals Processing); low order intake in Hydro.
- **Sales increased to over EUR 1.4 billion**: all business areas recorded an increase compared to last year's reference period.
- **Decrease of EBITA in Q3** despite sales increase, mainly due to Metals (cost overruns on some projects in Metals Processing as well as execution of some lower-margin orders in Metal forming) and Hydro.
- **Successful closing of acquisition of Xerium Technologies (now: ANDRITZ Fabrics and Rolls) in October.**



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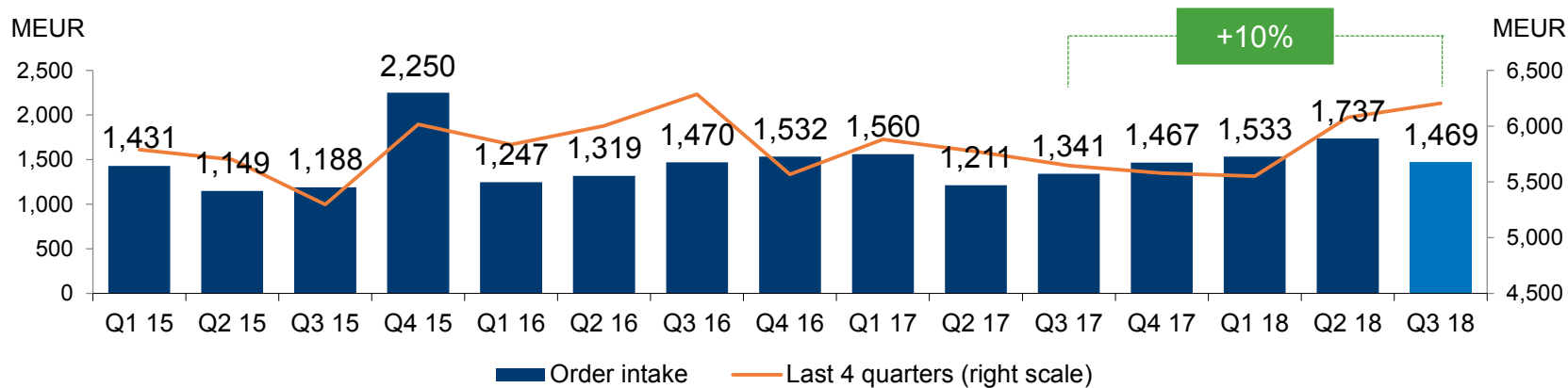
03 UPDATE OF BUSINESS AREAS

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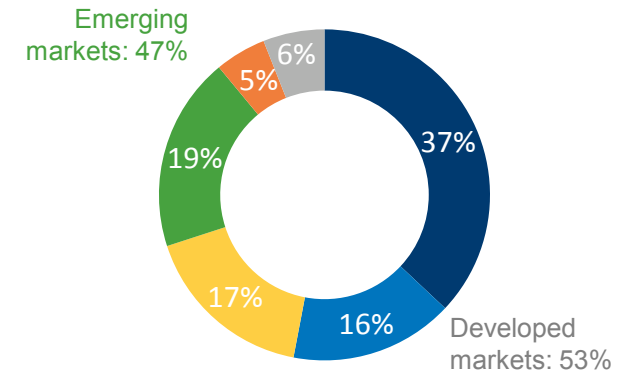
SATISFACTORY ORDER INTAKE IN Q3 2018



Aggregated order intake of the last four quarters amounts to ~6.2 bn. EUR.



ORDER INTAKE Q1-Q3 2018 BY REGION (IN %)

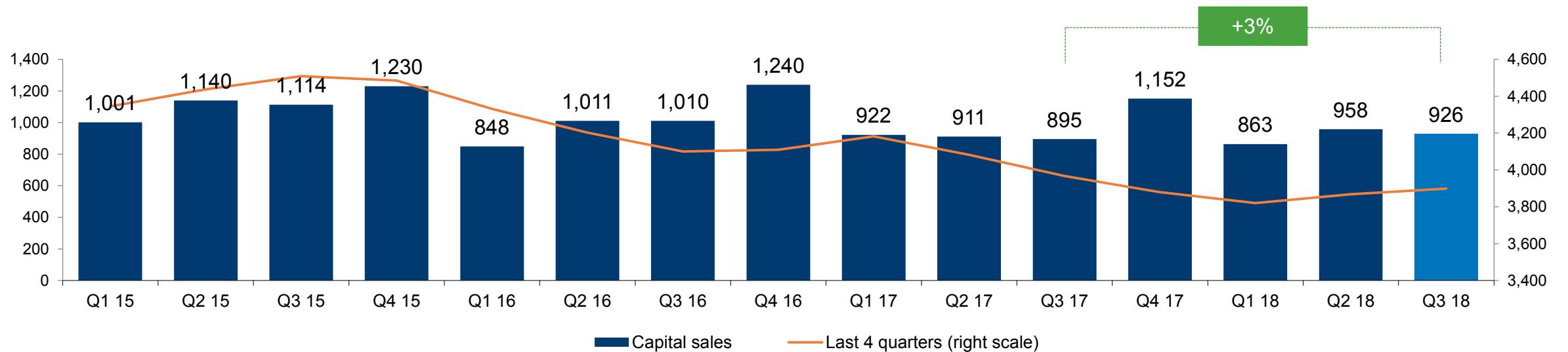


- Favorable development in Pulp & Paper and Metals, weak in Hydro.
- Well balanced geographical exposure
 - Europe and North America: 53%
 - Emerging markets: 47%

CAPITAL SALES



Quarterly development of capital sales (in MEUR).

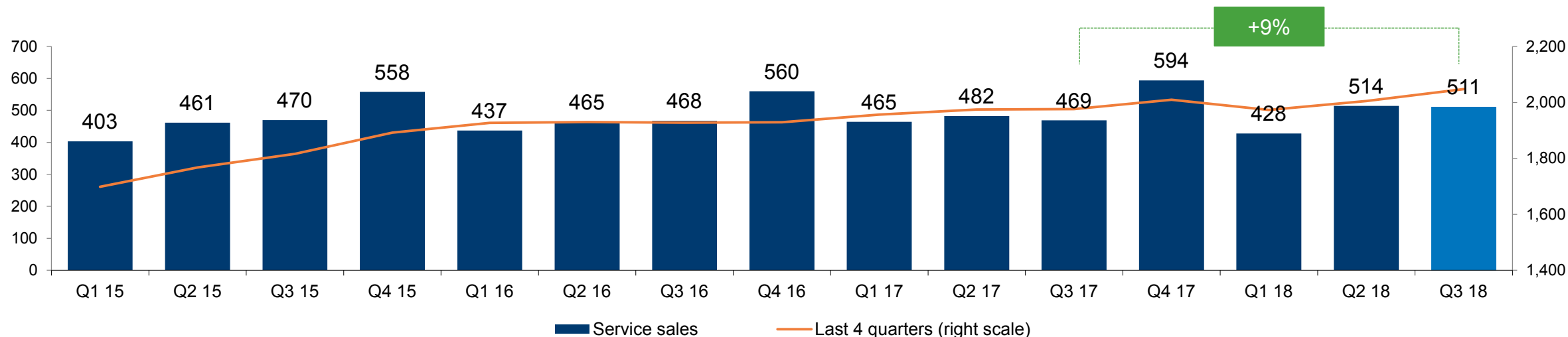


- Aggregated capital sales of the last 4 quarters amounted to 3.9 bn EUR.

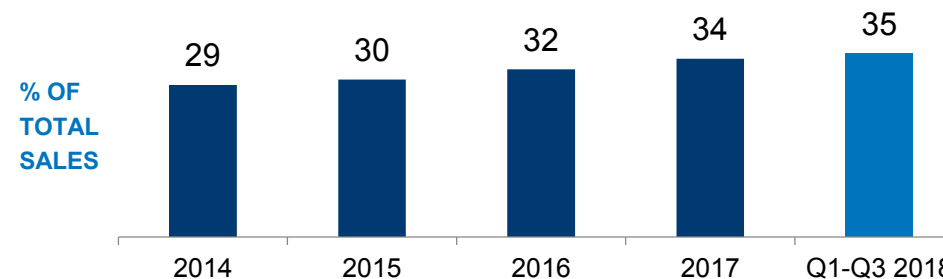
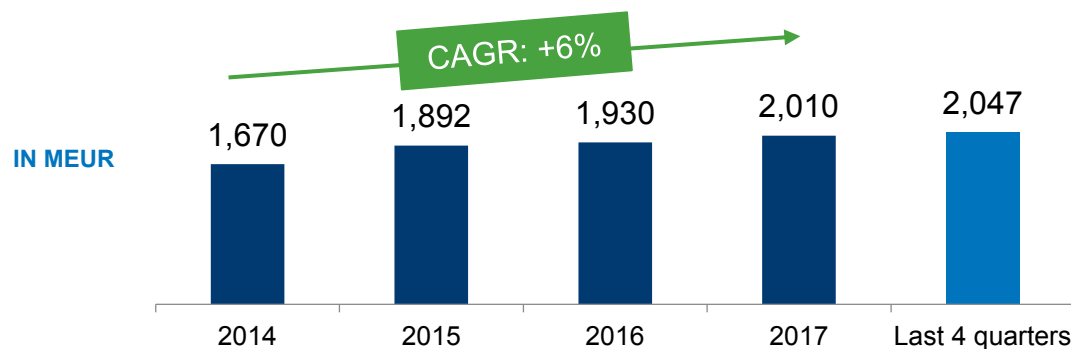
INCREASE OF SERVICE BUSINESS



Quarterly development of service sales (in MEUR).



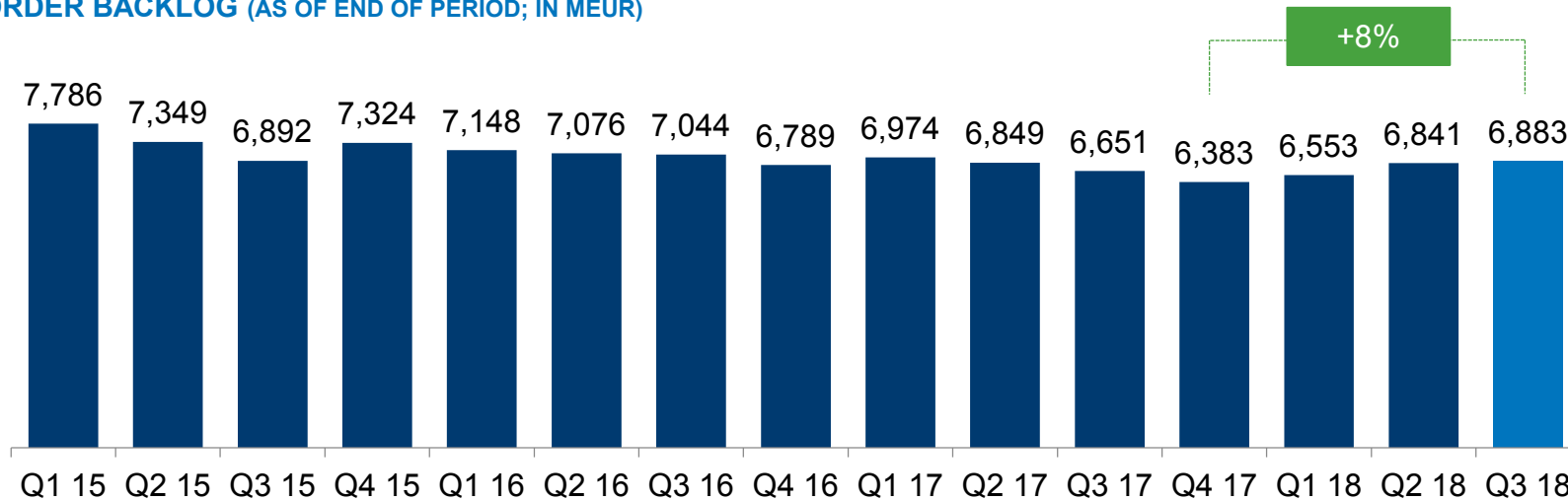
Service business increased in absolute and relative terms:



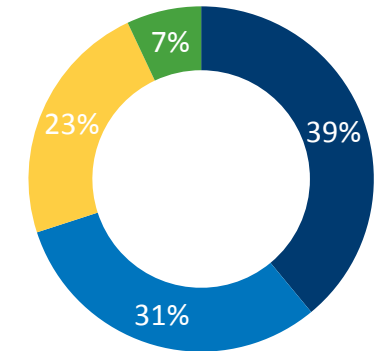
GROUP ORDER BACKLOG UP COMPARED TO END OF 2017 DUE TO RISING ORDER INTAKE TREND



ORDER BACKLOG (AS OF END OF PERIOD; IN MEUR)



ORDER BACKLOG Q1-Q3 2018 BY BUSINESS AREA (IN %)



■ Hydro ■ Pulp & Paper ■ Metals ■ Separation

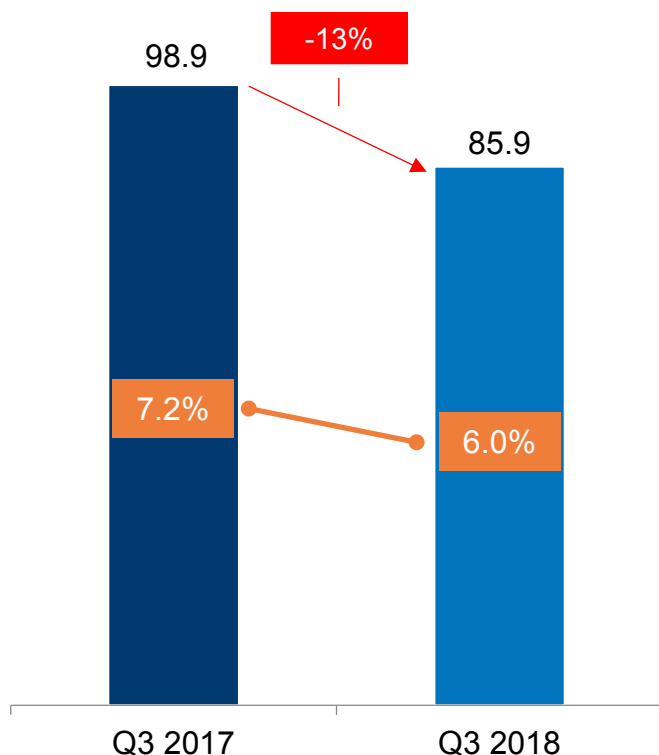
- Order backlog at the end of Q3 2018 was approx. 500 MEUR higher than at the end of Q4 2017.
- Hydro and Pulp & Paper account for 70% of total order backlog.

EARNINGS IN Q3 2018 DOWN COMPARED TO REFERENCE FIGURE OF PREVIOUS YEAR



Satisfactory development of Pulp & Paper, Metals still unsatisfactory.

EBITA AND EBITA MARGIN Q3 2018 (IN MEUR)



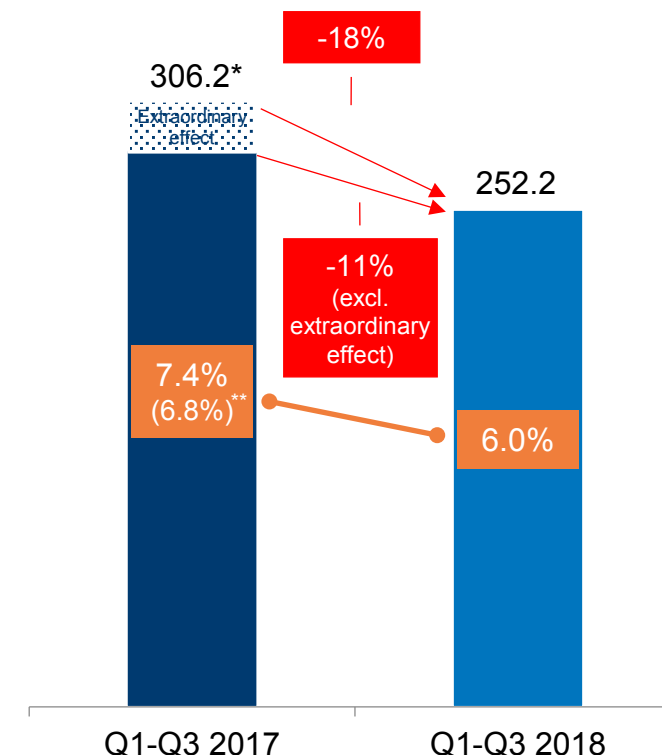
Q3 2018:

- EBITA, **at 85.9 MEUR, down by 13%** compared to the reference figure of the previous year (Q3 2017: 98.9 MEUR).
- Metals impacted by cost overruns on some projects and execution of some lower-margin orders.
- Hydro down compared to high level of last year's reference period.

Q1-Q3 2018:

- EBITA, **at 252.2 MEUR, 18% below** last year's reference period mainly due to Metals.
- Excluding one-off effect, EBITA was down by 11%.

EBITA AND EBITA MARGIN Q1-Q3 2018 (IN MEUR)



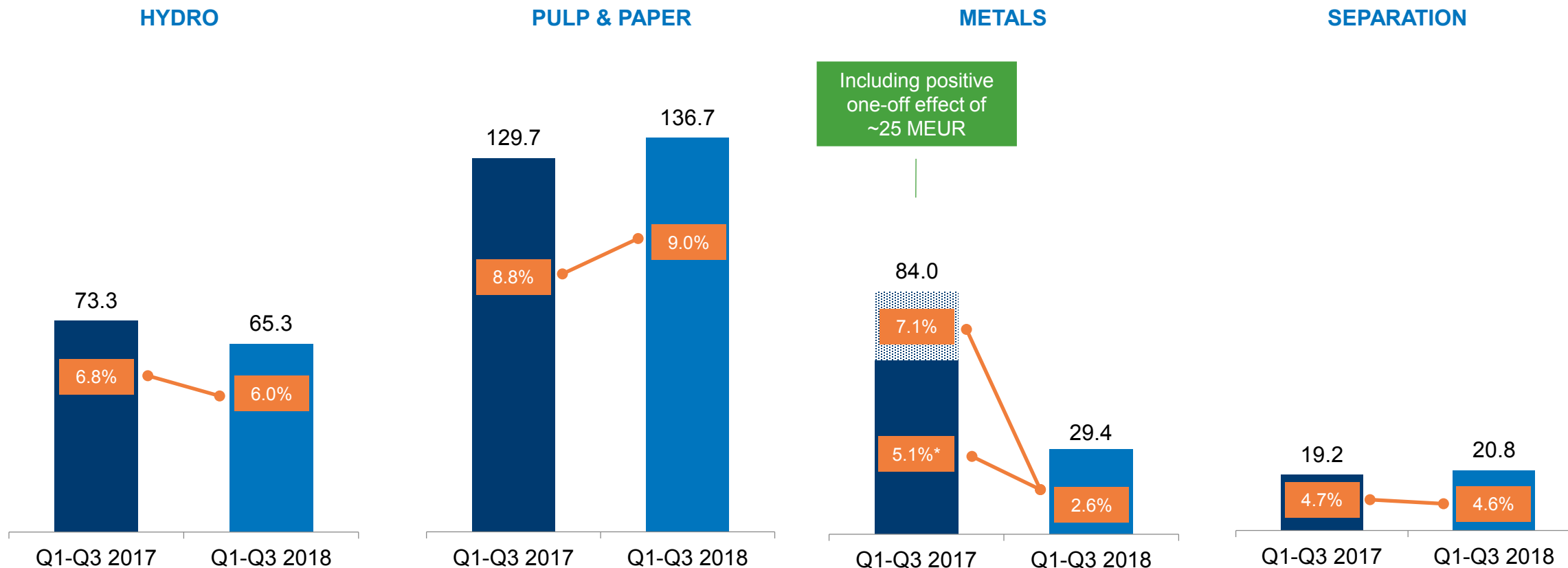
* Including extraordinary positive effect of approx. 25 MEUR, mainly due to the sale of the Schuler Technical Center in Tianjin.

**Excluding extraordinary effect.

EARNINGS AND PROFITABILITY BY BUSINESS AREA



EBITA (MEUR) and EBITA margin (%).



* EBITA margin excluding one-off effect.

KEY FIGURES Q3/Q1-Q3 2018 AT A GLANCE



Decrease mainly due to lower interest result:

- lower average net liquidity,
- substantially lower interest rates in Brazil as well as interest expense for the two Schuldscheindarlehen issued in June 2017 and August 2018.

Decrease mainly due to lower earnings as well as change in net working capital.

Decrease mainly due to payment for acquisitions, lower customer advances as well as cash outflow related to cost overruns on some projects.

Increase in net working capital due to increase in project-related receivables and decrease of project-related payables.

	UNIT	Q1-Q3 2018	Q1-Q3 2017	+/-	Q3 2018	Q3 2017	+/-	2017
Order intake	MEUR	4,738.0	4,112.5	+15.2%	1,468.7	1,341.2	+9.5%	5,579.5
Order backlog (as of end of period)	MEUR	6,882.8	6,650.8	+3.5%	6,882.8	6,650.8	+3.5%	6,383.0
Sales	MEUR	4,200.8	4,143.6	+1.4%	1,437.7	1,364.6	+5.4%	5,889.1
EBITDA	MEUR	321.2	375.2	-14.4%	109.5	121.7	-10.0%	541.7
EBITA	MEUR	252.2	306.2	-17.6%	85.9	98.9	-13.1%	444.0
EBIT	MEUR	229.3	275.9	-16.9%	76.4	90.5	-15.6%	399.3
EBT	MEUR	223.5	275.1	-18.8%	80.6	86.2	-6.5%	400.6
Financial result	MEUR	-5.8	-0.8	-625.0%	4.2	-4.3	n/a	1.3
Net income (including non-controlling interests)	MEUR	156.2	191.4	-18.4%	56.3	59.6	-5.5%	265.6
Cash flow from operating activities	MEUR	-85.0	129.2	-165.8%	16.2	47.7	-66.0%	246.5
Capital expenditure	MEUR	69.3	81.5	-15.0%	22.1	25.6	-13.7%	116.8
Equity ratio	%	19.2	20.6	-	19.2	20.6	-	21.2
Liquid funds	MEUR	1,894.9	1,768.8	+7.1%	1,894.9	1,768.8	+7.1%	1,772.3
Net liquidity	MEUR	501.0	878.2	-43.0%	501.0	878.2	-43.0%	908.0
Net working capital	MEUR	114.8	-112.3	+202.2%	114.8	-112.3	+202.2%	-121.0
EBITDA margin	%	7.6	9.1	-	7.6	8.9	-	9.2
EBITA margin	%	6.0	7.4	-	6.0	7.2	-	7.5
EBIT margin	%	5.5	6.7	-	5.3	6.6	-	6.8
Employees (as of end of period; without apprentices)	-	26,397	25,686	+2.8%	26,397	25,686	+2.8%	25,566

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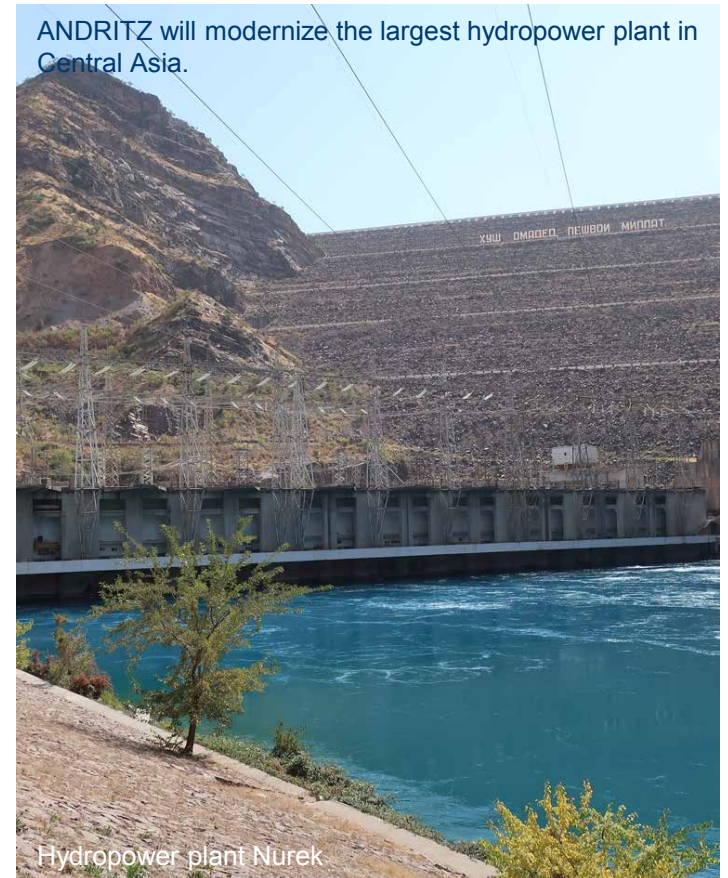
04 OUTLOOK

HYDRO (1): UNCHANGED MODERATE MARKET ENVIRONMENT



Selective award of individual projects, particularly in Asia.

- **New hydropower plants**
Some new projects in emerging markets, especially in Southeast Asia and Africa, are currently in the planning phase; award of these projects is expected over a longer period of time.
- **Pumps**
Good project activity.
- **Modernizations/rehabilitations**
Unchanged moderate project and investment activity, particularly in Europe.
- **Competition**
Stable competition at challenging level.



HYDRO (2): SUBDUED BUSINESS DEVELOPMENT



Despite increase in sales, earnings and profitability down.

Order intake significantly lower than in Q3 2017, which included some medium-sized orders.

Slight sales increase in Q3.

Earnings and margin significantly down compared to high level of last year (impacted by high share of service and finalization of some projects).

	UNIT	Q1-Q3 2018	Q1-Q3 2017	+/-	Q3 2018	Q3 2017	+/-	2017
Order intake	MEUR	1,056.2	939.0	+12.5%	303.1	425.0	-28.7%	1,317.2
Order backlog (as of end of period)	MEUR	2,718.2	3,038.7	-10.5%	2,718.2	3,038.7	-10.5%	2,921.8
Sales	MEUR	1,085.8	1,071.5	+1.3%	361.5	346.9	+4.2%	1,583.1
EBITDA	MEUR	85.8	94.0	-8.7%	28.7	36.8	-22.0%	154.1
EBITDA margin	%	7.9	8.8	-	7.9	10.6	-	9.7
EBITA	MEUR	65.3	73.3	-10.9%	21.9	30.1	-27.2%	123.0
EBITA margin	%	6.0	6.8	-	6.1	8.7	-	7.8
Employees (as of end of period; without apprentices)	-	7,343	7,365	-0.3%	7,343	7,365	-0.3%	7,237

ORDER INTAKE BY REGION Q1-Q3 2018 VS. Q1-Q3 2017 (%)



SALES BY REGION Q1-Q3 2018 VS. Q1-Q3 2017 (%)



PULP & PAPER (1): GOOD MARKET ENVIRONMENT



- **Pulp**
Good project activity, particularly for modernization of existing pulp mills.
ANDRITZ received major order from **Arauco** for their **MAPA project** in early October (booked in Q4 2018).
- **Paper**
Satisfactory market development for tissue and packaging equipment continued.
- **Power generating boilers**
Very active market, especially in Asia (China, Japan).
- **Competition**
Stable competitive environment.



PULP & PAPER (2): FAVORABLE DEVELOPMENT OF ORDER INTAKE



Earnings and profitability at satisfactory level.

Order intake favorably up, both for the capital and service business.

High increase in service **sales** in Q3 2018.

Earnings and profitability in Q3 2018 slightly lower than last year's reference period as a result of project mix.

Project-related increase in **employees**; first-time consolidation of Diatec (~70 employees) and Novimpianti (~40).

	UNIT	Q1-Q3 2018	Q1-Q3 2017	+/-	Q3 2018	Q3 2017	+/-	2017
Order intake	MEUR	1,726.4	1,552.0	+11.2%	545.5	427.1	+27.7%	2,033.4
Order backlog (as of end of period)	MEUR	2,148.5	1,899.1	+13.1%	2,148.5	1,899.1	+13.1%	1,787.0
Sales	MEUR	1,523.2	1,474.3	+3.3%	513.7	483.4	+6.3%	2,059.7
EBITDA	MEUR	157.0	148.8	+5.5%	50.9	51.4	-1.0%	221.5
EBITDA margin	%	10.3	10.1	-	9.9	10.6	-	10.8
EBITA	MEUR	136.7	129.7	+5.4%	43.8	45.0	-2.7%	194.9
EBITA margin	%	9.0	8.8	-	8.5	9.3	-	9.5
Employees (as of end of period; without apprentices)	-	8,518	7,982	+6.7%	8,518	7,982	+6.7%	8,002

ORDER INTAKE BY REGION Q1-Q3 2018 VS. Q1-Q3 2017 (%)



SALES BY REGION Q1-Q3 2018 VS. Q1-Q3 2017 (%)

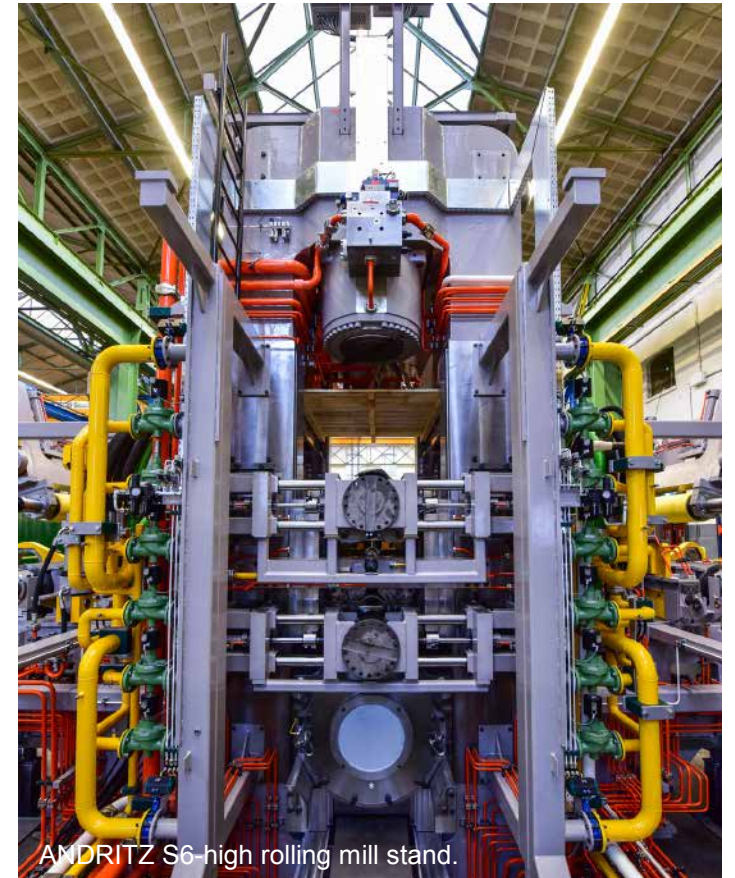


METALS (1): SATISFACTORY PROJECT AND INVESTMENT ACTIVITY



Good market environment in Metals Processing; solid market environment in Metal Forming.

- **Metal Forming**
Satisfactory project and investment activity; some individual orders were awarded selectively by international car manufacturers and their suppliers; favorable development of Yadon, China, continued.
- **Metals Processing**
Overall good economic environment and the related high capacity utilization at international steel producing companies led to numerous new and modernization projects, particularly in Asia, Europe, and North America.
- **Competition**
Unchanged challenging competition.



METALS (2): UNSATISFACTORY BUSINESS DEVELOPMENT



Cost overruns on some projects and execution of some lower-margin orders.

Significant increase in **order intake** mainly due to Metals processing; stable development in Metal Forming.

Earnings and profitability negatively impacted by cost overruns on some projects and execution of some lower-margin orders.

	UNIT	Q1-Q3 2018	Q1-Q3 2017	+/-	Q3 2018	Q3 2017	+/-	2017
Order intake	MEUR	1,403.3	1,143.6	+22.7%	456.6	329.4	+38.6%	1,606.5
Order backlog (as of end of period)	MEUR	1,556.0	1,302.8	+19.4%	1,556.0	1,302.8	+19.4%	1,309.7
Sales	MEUR	1,142.7	1,185.0	-3.6%	400.3	392.7	+1.9%	1,643.5
EBITDA	MEUR	51.2	106.6	-52.0%	19.1	24.2	-21.1%	129.7
EBITDA margin	%	4.5	9.0	-	4.8	6.2	-	7.9
EBITA (excl. extraordinary effects)	MEUR	29.4	60.4	-51.3%	11.7	16.7	-29.9%	75.0
EBITA	MEUR	29.4	84.0	-65.0%	11.7	16.7	-29.9%	98.6
EBITA margin (excl. extraordinary effects)	%	2.6	5.1	-	2.9	4.3	-	4.6
EBITA margin	%	2.6	7.1	-	2.9	4.3	-	6.0
Employees (as of end of period; without apprentices)	-	7,687	7,567	+1.6%	7,687	7,567	+1.6%	7,573

ORDER INTAKE BY REGION Q1-Q3 2018 VS. Q1-Q3 2017 (%)



SALES BY REGION Q1-Q3 2018 VS. Q1-Q3 2017 (%)



SEPARATION (1): GOOD PROJECT AND INVESTMENT ACTIVITY CONTINUED



Mainly for solid/liquid separation equipment.

- **Municipal**
Investment activity at unchanged good levels (sewage sludge dewatering and drying).
- **Industrial**
Good project activity in chemicals; satisfactory project activity in mining and minerals; slightly improved investment activity in food from low levels of preceding quarters.
- **Feed and biomass pelleting**
Satisfactory project activity.
- **Competition**
Unchanged market environment with some global and many regional competitors.

ANDRITZ ArtBREW, plug-and-play craft beer clarification solution for breweries.



SEPARATION (2): INCREASE IN ORDER INTAKE AND SALES



High order intake in Q1-Q3 2018.

	UNIT	Q1-Q3 2018	Q1-Q3 2017	+/-	Q3 2018	Q3 2017	+/-	2017
Order intake in Q1-Q3 2018 strongly up.	MEUR	552.1	477.9	+15.5%	163.5	159.7	+2.4%	622.4
	MEUR	460.1	410.2	+12.2%	460.1	410.2	+12.2%	364.5
	MEUR	449.1	412.8	+8.8%	162.2	141.6	+14.5%	602.8
Increase in sales as a result of rising order intake in previous quarters.	MEUR	27.2	25.8	+5.4%	10.8	9.3	+16.1%	36.4
	%	6.1	6.3	-	6.7	6.6	-	6.0
	MEUR	20.8	19.2	+8.3%	8.5	7.1	+19.7%	27.5
Earnings and profitability slightly up as a result of higher sales .	%	4.6	4.7	-	5.2	5.0	-	4.6
	-	2,849	2,772	+2.8%	2,849	2,772	+2.8%	2,754

ORDER INTAKE BY REGION Q1-Q3 2018 VS. Q1-Q3 2017 (%)



SALES BY REGION Q1-Q3 2018 VS. Q1-Q3 2017 (%)



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OUTLOOK FOR REMAINDER OF 2018 UNCHANGED



Unchanged guidance for 2018: flat sales, solid profitability (excluding one-offs)

- For 2018, ANDRITZ expects **stable sales** compared to 2017.
- **Earnings and profitability** will be **significantly lower** due to provisions of well above EUR 20 million, made for capacity restructuring adjustments in Metal Forming (Schuler) and in the Hydro business area.
- **Profitability (EBITA margin) excluding** this extraordinary effect should reach almost the **level of 2017 excluding extraordinary effects** (7.1% vs. 7.5% reported).

Hydro	Pulp & Paper	Metals	Separation
STABLE+	STABLE+	STABLE+	STABLE+
			

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