

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board and the Executive Board held five meetings (four regular meetings, one constituent meeting) during the reporting period for in-depth discussions on the economic situation and strategic development of the company, as well as on major events, capital expenditures, and possible acquisitions. In the course of regular reporting and in all meetings, the Executive Board informed the Supervisory Board extensively in writing and verbally, by means of detailed reports, on the business and financial situation of the Group and its affiliates, as well as on topics regarding human resources, medium-term planning, capital expenditure, and acquisition projects. At one meeting, the Supervisory Board discussed safety at work and corresponding measures. At another meeting, compliance was one of the main points on the agenda. At individual meetings, medium-term planning by the individual business areas was discussed with the Executive Board. 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 and discuss the company's strategy and business development. The Supervisory Board conducted a self-evaluation of its activities and discussed the result at its meeting on December 6, 2017. An external audit on compliance with the "C Rules" of the Austrian Corporate Governance Code (ÖCGK) had already been commissioned in 2016. The report dated February 28, 2017 by BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft confirms that the company complies with the "C Rules" in this Code during the audit pursuant to Rule 62 of the ÖCGK. Mark von Laer took up the position of Chief Financial Officer on March 1, 2017. At its meeting on May 31, 2017, the Supervisory Board resolved to extend Joachim Schönbeck's appointment to the Executive Board for the period October 1, 2017 to September 30, 2022.

The Presidium of the Supervisory Board acted on behalf of the company in matters concerning the Executive Board. The nomination and remuneration committee dealt in two meetings with matters relating to the Executive Board.

All members of the Supervisory Board attended all of its meetings.

The audit committee dealt in two meetings in particular with the proposal for the appointment of the auditor of the financial statements and consolidated financial statements, the quality of the internal control system relating to presentation of financial statements, the risk management program, reporting by the Internal Auditing department, and the measures to safeguard the independence of the annual auditor when providing permitted non-audit services. In addition, individual topics such as risk analysis and IT security to prevent external attacks were discussed and reported to the Supervisory Board. All members of the audit committee attended the committee meetings at all times.

In dealing with the financial statements for 2016, the audit committee called in the annual auditor to attend its meeting on March 2, 2017 in order to review the financial statements, consolidated financial statements, the management report, and the Executive Board's proposal for distribution of profits. Furthermore, a proposal was made for the choice of auditor of the financial statements and consolidated financial statements for the 2017 business year. This auditor's relationship with the ANDRITZ GROUP and its executive bodies was examined, the fee for the annual audit was negotiated, and a suggestion was made to propose KPMG Austria GmbH to the Annual General Meeting for appointment as auditors of the 2017 financial statements and consolidated financial statements. Further items on the agenda were the auditor's report on the function of the risk management system in the company, a report on the Internal Auditing department, and the compliance report.

At the audit committee meeting on December 6, 2017, the committee members – with the auditor also present – discussed the organization, scheduling and auditing of the 2017 financial statements and consolidated financial statements as well as a report by the Executive Board on the form and modus operandi of the internal control system and internal auditing. The committee also decided to give limited permission to provide non-audit services up to completion of the audit for the 2017 financial year.

The mandate of Christian Nowotny expired at the end of the Annual General Meeting on March 28, 2017. The Annual General Meeting resolved to extend this mandate by five years until the Annual General Meeting in 2022. At the Supervisory Board meeting on March 28, 2017 after the Annual General Meeting and held on the same day, Christian Nowotny was elected Chairman of the Supervisory Board and Fritz Oberlerchner as Deputy-Chairman. Christian Nowotny (Chairman), Fritz Oberlerchner (Deputy-Chairman), and Monika Kircher were elected as members of the audit committee and Andreas Martiner was delegated to the committee by the employees' representatives. Christian Nowotny (Chairman), Fritz Oberlerchner (Deputy-Chairman), and Monika Kircher were elected as members of the nomination and remuneration committee.

The financial statements and management report of ANDRITZ AG and the consolidated financial statements for 2017 drawn up according to IFRS were audited (including the accounts) and certified by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, 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 as well as the Management Report and approved the financial statements, which are hereby adopted in accordance with Article 96, para. 4, of the Corporation Act; the Supervisory Board also examined and approved the Executive Board's proposal for distribution of profits. The final results of the audits conducted did not give rise to any objections.

Graz, February 2018

Christian Nowotny m.p.
Chairman of the Supervisory Board